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Has it finally abandoned imperialism?

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Why the reform process must be speeded up

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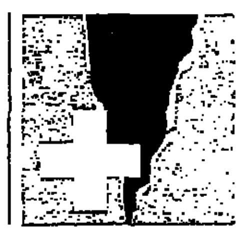

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Clichés confirmed and illustrated

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FT Exporter

Wales

Separate sections

World Business Newspaper http://www.FT.com THURSDAY JULY 10 1997

US Congress may impose stiffer air travel taxes

Air travel costs cost to and from the US may be set to rise substantially despite tourist industry protests. US congressmen and senators start work tomorrow on measures that could mean new departure and arrival taxes of as much as $15.50 on each international passenger. "We're talking about more than $100 for a family of four," said Elliott Seiden of US airline Northwest. "This will have an impact in significantly decreasing tourism." Page 12

Drinks industry merger move: Guinness and Grand Metropolitan, the two UK drinks groups planning a £24bn ($40.56bn) merger, may be willing to combine their wines and spirits businesses with those of French luxury goods group LVMH now that opposition to a three-way drinks link has apparently softened. Page 13

Tyson banned for biting rival's ear:

Mike Tyson's boxing licence was revoked and he was fined $3m for biting a chunk out of Evander Holyfield's ear during their WBA heavyweight title fight. The Nevada State Athletic Commission in Las Vegas branded Tyson a "discredit to boxing" and ordered him to pay legal costs. Officials said the removal of his licence could amount to a lifetime ban.

Big shake-up at McDonald's: The US fast food chain is dramatically shaking up its American business to try to revive domestic sales. Chief executive Edward Rensi is to go and US business will be reorganised into five independent geographical divisions. Page 13

More troops to N Ireland: Four hundred extra British soldiers are being sent to Northern Ireland on counter-terrorism duties for the rest of the marching season, when the Protestant Orange Order holds traditional marches through or near nationalist streets. Page 8

Arrest mandate for war criminals: Military commanders in Bosnia who feel "the risk is appropriate" have a clear mandate to arrest war criminals, President Clinton said at a Nato news conference in Madrid.

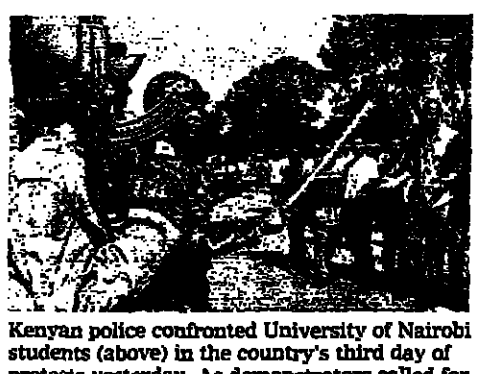
Albanian Socialists lead polls: Albania's ex-communist Socialists and their allies have won a two-thirds majority in elections called to end months of anarchy. The central elections commission said the Socialist group had won at least 107 of the 155 parliamentary seats.

Rémy loses on options: French drinks company Rémy Cointreau said an exceptional loss of FFr101m ($17m) for 1996-97 stemmed from a FFr158m loss on currency options. Net annual profits were FFr36m down from FFr120m the previous year. Page 15

Wells Fargo warning: The US banking group said second-quarter profits would be about 30 per cent below first-quarter levels because of unexpected expenses related to last year's $11bn acquisition of First Interstate. Page 15

Cambodians hunted down: Fighters from the victorious faction in last weekend's coup in Cambodia went on a manhunt for defeated officials. Page 7

Kenya unrest brings economy warning



Kenyan police confronted University of Nairobi students (above) in the country's third day of protests yesterday. As demonstrators called for constitutional reform, the central bank governor and World Bank's country director warned that continued unrest would seriously undermine Kenya's economy. Page 4

FT.com: *the FT web site provides online news,* comment and analysis at http://www.FT.com

STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	7,928.12	(-38.19)
NASDAQ Composite	1,494.88	(+9.79)
Europe and Far East		
CAC40	2,850.56	(+20.75)
DAX	4,055.86	(+49.45)
FTSE 100	4,782.4	(+3.9)
Nikkei	19,697.17	(-156.72)

US LUNCHTIME RATES

Federal Funds	5⅞%
3-mth Treas Bills: Yld	5.093%
Long Bond	100⅔
Yield	6.559%

OTHER RATES

UK: 3-mo Interbank	7%	(same)
UK: 10 yr Gilt	101¼	(101⅜)
France: 10 yr OAT	100.76	(100.17)
Germany: 10 yr Bund	103.36	(103.28)
Japan: 10 yr JGB	104.8265	(104.6474)

NORTH SEA OIL (Argus)

Brent Dated	$18.23	(18.4)

GOLD

New York: Comex	$318.2	(320.2)
London: close	$319.45	(320.95)

DOLLAR

New York lunchtime		
£	1.685	
DM	1.7615	
FFr	5.9485	
SFr	1.4595	
Y	113.0	
London:		
£	1.6865	(1.6911)
DM	1.7619	(1.7572)
FFr	5.9493	(5.928)
SFr	1.4638	(1.4648)
Y	112.75	(112.59)
Tokyo close:	Y 112.65	

STERLING

DM	2.9897	(2.9715)

9 770174 736142 28

Blow to tobacco industry as Clinton hits at pact

By Richard Tomkins in New York

President Clinton yesterday labelled a key element of the proposed $368.5bn US tobacco industry settlement as "totally unreasonable", raising the prospect that the tobacco companies will have to accept much tougher restrictions if the deal is to be approved.

Mr Clinton made it clear he strongly opposed loopholes in the agreement that would prevent the Food and Drug Administration from reducing or eliminating the addictive nicotine content of cigarettes.

The agreement, reached last month, says the FDA can only reduce nicotine levels if it can show this will not create a "significant demand for contraband", a hurdle the agency may find difficult to overcome.

Mr Clinton, speaking at a news conference after the Nato summit in Madrid, said there were many good things in the agreement, but he asked whether "a few black market cigarettes" should outweigh the government's right "to protect all of America's children".

"It seems to me to be a totally unreasonable restriction," Mr Clinton said. He said he had not made up his mind about other parts of the deal.

Last year Mr Clinton gave the FDA sweeping powers to regulate the tobacco industry so it could enforce a crackdown on under-age smoking. The tobacco industry's challenge to that decision was rejected by a federal court in April.

White House officials said this week that Mr Clinton was not prepared to approve any deal that diminished the FDA's power to regulate tobacco. The president's support is crucial because the settlement requires legislation before it can come into effect, and Congress is unlikely to approve a deal that does not carry the president's blessing. Critics of the settlement – thrashed out in three months of negotiations between the big tobacco companies and lawyers with litigation pending against the industry – argue it was crafted to benefit the parties at the negotiating table rather than society.

Mr Clinton's remarks coincided with the publication of a report by a panel of 23 health groups demanding much tougher measures against the tobacco industry than those proposed in the settlement.

The report, produced by a task force headed by two leading tobacco industry opponents, argues for much tighter restrictions on the marketing of tobacco than those proposed in the deal.

One recommendation urges a heavy increase in cigarette taxation on the grounds that this would do more than any other measure to reduce teenage smoking.

France aims to create more than 60,000 jobs

By Andrew Jack in Paris

The French government is to by-pass parliament and move swiftly to introduce by decree an emergency FFr11.1bn programme designed to meet some of its principal campaign commitments in the remaining months of 1997.

It hopes to create more than 60,000 jobs for the young unemployed, raise the one-off annual payment for schoolchildren and renovate 100,000 low-income housing units by redistributing existing resources and releasing lines of public expenditure frozen by the out-going government.

Mr Dominique Strauss-Kahn, economics, finance and industry minister, said yesterday that France's margin for manoeuvre was "tight" but that it could meet the economic criteria necessary to achieve entry into the single European currency while simultaneously implementing the Socialists' electoral pledges.

He expressed regret that the expenditure would need to be authorised without a parliamentary debate, but said it was unavoidable if the proposed measures were to be implemented with any reasonable speed.

He argued that they would help to raise the level of demand and help boost economic growth.

He reiterated that there could be some "exceptional" tax increases for 1997 alone to help reduce the public deficit, while other measures would remain in place in future years.

Some FFr2bn is to be released from existing job training funds with the aim of creating 60,000-70,000 jobs in the state sector, local authorities and non-profit making associations, with an average annual salary of FFr100,000 each.

The Socialists have pledged to create 350,000 jobs in the public sector over the next two years, accompanied by a similar number in the private sector.

The latest actions come on top of an increase in the SMIC, the minimum wage, of 4 per cent which has already been announced, and which will add FFr4.4bn to public expenditure.

The government's measures were criticised yesterday by the CNPF, the French employers' federation, which issued its annual report recommending reforms of the economy.

Mr Denis Kessler, head of the organisation's economic affairs commission, said that under-investment and not lack of demand was the real challenge for the country.

He argued that the increase in the minimum wage would

Continued on Page 12

Members of the TGWU transport workers' union and Bassa, its cabin crew branch, picket London's Heathrow airport where 69 per cent of British Airways flights were cancelled because of a strike by BA cabin crew

Picture: Fergus Wilcox

DTB steps up challenge to Liffe

By Edward Luce and Krishna Guha in London

The battle for control of Europe's derivatives market intensified yesterday when the German futures and options exchange unveiled an aggressive expansion plan to challenge London's dominance.

Deutsche Termin Börse said it planned a series of equity option and stock market index products based on Europe's leading company stocks.

The Frankfurt exchange also said it would merge its trading and clearing facilities with Soffex, Switzerland's derivatives exchange, to create a new system called Eurex. Members of DTB and Simex, Singapore's main futures exchange, would also be able to trade each others' products in the near future.

The move, certain to intensify rivalry between DTB and the London International Financial Futures Exchange (Liffe), is designed to capture market share before European monetary union in 1999. Liffe has double the turnover in contracts of either DTB or Matif, the Paris derviatives exchange.

"Emu will lead to a concentration of Europe's derivatives markets," said Mr Jörge Franke, a member of DTB's executive board. "Our goal is to continue trying to make life easier for the market participants to win more market share."

In addition to the equity contracts, DTB plans to launch a futures contract based on 30-year German government bonds, a contract based on a basket of other European government bonds and a derivative based on volatility levels on Germany's main stock exchange.

Mr Franke also emphasised the DTB's commitment to electronic trading, saying it was "much cheaper" than London's Open Outcry pit trading system.

Mr Daniel Hodson, chief executive of Liffe, said the London exchange was "totally committed" to Open Outcry and would allocate a "huge chunk" of systems spending to support it. Mr Hodson also said there was "nothing new in terms of potential" in DTB's initiative.

Mr Hodson admitted that DTB had made "some inroads" into Liffe's dominance in bond futures trading, but said Liffe retained 60 per cent of the benchmark German bund futures contract. Liffe claims open outcry gives traders more flexibility and guarantees a pool of liquidity.

Liffe's existing equity option contracts will be automated by May 1998. Mr Hodson said the exchange "may well" extend the range of products then – tackling DTB head-on with options based on the Eurotop index of big European stocks.

Survey highlights danger of Chinese banking crisis

By Stephen Fidler, Latin America Editor

China is one of the world's *riskiest emerging stock markets* because of the danger of a banking crisis, according to a study by DRI/McGraw-Hill.

The US information group *said China's main problem* – which also represented one of the most serious threats to global capital markets – was the high percentage of bad *loans being carried by the* country's banks. This situation stemmed from government policies that forced banks to make questionable loans to state or state-sponsored companies.

"With one of the world's largest economies, a Chinese banking crisis could have a serious impact on developing Asia," said Mr Nariman Behravesh, DRI/McGraw-Hill's chief international economist.

He cited analysts' calculations suggesting that 20-40 per cent of Chinese banks' $600bn in loans could be classified as non-performing. "Although reforms of the Chinese banking industry may contain the problem in the short term, the risk of a serious debt problem will continue to mount and could have a major economic ramifications for many of China's smaller and weaker economic neighbours."

Ten largest emerging markets

Lowest investment risks	Highest investment risks
Argentina	South Africa
Poland	China
Mexico	Indonesia
Turkey	Russia
India	Brazil

Source: McGraw Hill

The report, published quarterly, provides risk analysis for both direct and financial investors based on 33 factors, such as government policies, currency and corruption.

It said Argentina would be the least risky of the world's big 10 emerging markets over the next five years, and South Africa the riskiest.

South Africa's poor rating was attributed to its declining economic growth and rising unemployment and inflation, its stagnant or declining mineral and agricultural output and its dangerously high consumer debt. Violence and factionalism also disrupted its political process and weighed heavily against it.

Argentina's position was justified by its solid economic growth "fuelled by a rapid

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NEWS: EUROPE

New partnership with 28 countries likely to accelerate alliance's eastward expansion

Nato signs charter with Ukraine

By David Buchan and David White in Madrid

Nato yesterday opened itself further to the east by signing a charter with Ukraine and inaugurating a new partnership with 28 east European countries and former Soviet republics.

It came a day after the alliance took the historic decision to invite Poland, Hungary and the Czech Republic to join, in a move that looks likely to accelerate the eastward extension of Nato.

President Bill Clinton said the Madrid summit had been an historic turning point. The entry of new countries and stronger ties with non-member countries would create a "new and broader and deeper" alliance, he said. Putting his weight behind the enlargement process, the US president said the financial costs of widening Nato – estimated by his own defence department at up to $35bn – had been grossly over-estimated.

The charter on co-operation and consultation with Ukraine completes Nato's new framework for dialogue with the two biggest components of the former Soviet Union, following the pact that Nato signed with Russia in May. But, in contrast to Russia, Ukraine's President Leonid Kuchma welcomed this week's Nato enlargement.

Some European leaders – notably Chancellor Helmut Kohl and President Jacques Chirac – made it clear they thought it a foregone conclusion that Nato would invite in a second wave of members in 1999, and that Romania and Slovenia would be in it. At US insistence, these two countries were shut out of the first wave, but gained a favourable mention in the Madrid summit communique.

Nato officials revealed that part of the deal Nato is seeking with its three new members would be that they forego their right to veto any other candidate country. In fact, however, the three designate-members yesterday pledged their support for the Nato candidacies of Latvia, Estonia and Lithuania.

It is the eventual prospect of Baltic membership of Nato that most concerns Russia. Its foreign minister, Mr Yevgeny Primakov, said in Moscow this week Nato was making "its biggest mistake since the second world war" by expanding into eastern Europe. But a Nato official suggested Mr Primakov was mainly playing to his domestic audience, and noted that yesterday in Madrid Mr Valery Serov, a deputy prime minister, repeated Russia's criticism of Nato enlargement "without venom or vigour".

Mr Serov's intervention came at the first meeting of the re-named Euro-Atlantic Partnership Council grouping Nato's 16 members and the 28 countries with which Nato has forged special co-operation arrangements. This body replaces the North Atlantic Co-operation Council, whose title has been changed to acknowledge its growing European membership.

Nato's top soldier, Gen George Joulwan, warned "there is much work to be done" to fit the new members into the alliance's military structure. They would need to upgrade – and harmonise with the rest of Nato – their air defence, communications and training. Acknowledging the choice of Poland, Hungary and the Czech republic was essentially "for political reasons", the Nato commander said he was "comfortable" with it.

Editorial, Comment, Page 11
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Slovenia looks to EU pact for consolation

By Bruce Clark in Madrid

Slovenia expects European Union governments to be more sympathetic to its bid to join their club because the country was unfairly excluded from the first round of Nato expansion, Mr Janez Drnovsek, its prime minister, said yesterday.

Mr Drnovsek said there was widespread acceptance among both US and west European officials at Nato's Madrid summit that the small Alpine country, which has been in the vanguard of post-communist reform, should have been invited into Nato immediately.

President Bill Clinton had indicated privately that he was "very positive about Slovenia, and very optimistic about the year 1999" – when Nato leaders will welcome three ex-communist states to the alliance and consider other candidates.

Slovenia's bid to join Nato by 1999 enjoyed support from Italy and France – and at least informally from the US Pentagon, which was struck by the need for a land bridge between the main body of Nato members and newcomer Hungary.

But the former Yugoslav republic's candidacy was placed on the same footing as Romania, whose application was resisted by Washington on grounds that it would be expensive to defend and had only recently begun wide-ranging reform.

Mr Drnovsek said when the EU considers Slovenia's bid to join the Union "I think there will be some kind of compensation" for the country's rebuff by Nato – though he did not think Ljubljana needed any special favours.

The European Commission is due to pronounce its opinion on the eligibility of Slovenia and other candidates in central and eastern Europe next week – and negotiations are expected to start early next year.

Mr Drnovsek said he was confident the Ljubljana parliament would finally ratify its association agreement with the EU by July 15.

This process has taken Slovenia much longer than other EU applicants because of disputes with Italy about its citizens' property claims after the second world war – now largely resolved – and hesitation in Ljubljana about opening up the country's property market to non-citizens.

Estonia, which ranks with Slovenia as one of the healthiest post-communist economies, insisted at the Madrid summit that it would not accept EU membership as a consolation prize for being rebuffed from Nato.

Fragile potential of Aegean deal

FT writers assess the rights and no-force pledge between Greece and Turkey

As the news spread of the pledge made this week by Greece and Turkey to respect one another's rights and avoid the use of force, analysts were struck by the agreement's huge potential – but also its fragility.

Both the US administration and Mr Javier Solana, the Nato secretary general, hailed the agreement in which they have played an important, if discreet, role in broking.

The promise to avoid violence or the threat of violence in bilateral relations is seen by many on both sides as the key to building a working relationship that will also allow economic ties to develop.

If the momentum is sustained, it could lead to joint exploration of the Aegean's mineral resources and remove one of the most serious threats to peace in Europe. Mr Ismail Cem, the Turkish foreign minister, said that he hoped for early bilateral talks on issues such as terrorism, drugs and immigration.

However, there is still no guarantee that direct talks on more sensitive Aegean issues will now take place – or that the groups of experts appointed by both countries, at the behest of the European Union, will ever meet face to face, as opposed to exchanging formal messages. Greece has generally resisted bilateral talks and prefers legal arbitration by third parties.

The two leaders who endorsed the agreement – Mr Costas Simitis, the Greek prime minister, and Turkey's President Süleyman Demirel – will need to use a great deal of political capital to avoid being accused of selling out.

Analysts are encouraged that President Demirel has taken an important role in the talks. He is Turkey's elder statesman and has had an influential part in steering the country back on to its traditionally secularist, pro-western orientation.

Leaving Madrid yesterday after attending a Nato summit, he said: "If we are neighbours we may have problems but they should be solved through dialogue. In spite of everything we have made a good beginning. There are many issues on the agenda. But to solve the problems there should be goodwill and determination."

For Mr Simitis, improving relations with Turkey became a priority after he was confronted on his first day in office in January 1996 with a military stand-off over an uninhabited islet in the eastern Aegean.

Apart from averting a possible clash in that case, Mr Simitis's policy of seeking a "step-by-step" rapprochement with Turkey is intended to enhance Greece's standing with its western allies and EU partners and enable the Greeks to promote Cyprus's application for EU membership more effectively.

The reaction in Athens yesterday was cautious. Opposition newspapers claimed that a trap had been laid for Greece which could lead to a division of the Aegean, but Mr Costas Karamanlis, the conservative opposition leader, said the agreement was "in the right direction".

The moderate Mr Simitis is bound to face resistance from hardliners in the governing Socialist party, including a group of elderly personalities who have already publicly expressed anxiety over softening policy towards Turkey. But the prime minister can point to recent opinion polls showing that an overwhelming majority of Greeks favour good neighbourly relations and a dialogue with the Turks.

Since Turkey's customs agreement with the EU took effect in January, Greek-Turkish trade has grown at unprecedented rates. But Greek businessmen have voiced impatience at the politicians' delay in bringing relations to the point where investment, particularly in tourism between the Greek islands and Turkey's Aegean coast, would be free of political risk.

On the Turkish side, the country's political turmoil has prevented close scrutiny of the agreement. Mr Sedat Ergin, a senior editor on the newspaper Hürriyet, said: "I do not think this will be a very controversial issue in Turkey because the agenda here is focused internally, so it is possible that it will be treated as a secondary issue even though it can be perceived as a major breakthrough."

The new secularist minority coalition of Mr Mesut Yilmaz is preparing for a vote of confidence in parliament on Saturday that would confirm it in power following the collapse last month of the country's first Islamist-led government.

Although Mr Yilmaz when briefly in power last year made important peace gestures to Greece, his leftwing coalition ally, Mr Bülent Ecevit is a staunch nationalist who has announced a hardline policy over Cyprus.

If advances are made they are unlikely to come quickly, since the disputes have festered for decades, but by unwinding tensions between Greece and Turkey they would make progress in Cyprus all the easier. Talks between leaders of the island's Greek and Turkish communities began yesterday in the US amid a news blackout intended to encourage quiet diplomacy.

President Glafcos Clerides has played down suggestions that his talks with Mr Rauf Denktash, the Turkish Cypriot leader, will lead to a quick comprehensive settlement. However, the US and British officials who have paved the way for the talks are hoping that the parties will commit themselves irreversibly to a settlement and agree on some of the details.

Bruce Clark, Kerin Hope and John Barham

Clerides, left, and US special envoy for Cyprus Richard Holbrooke before the talks in upstate New York AP

Turkey's economy is in much worse shape than feared and will need tough measures to restore stability, the country's new economic team said in its first policy statement yesterday, John Barham reports from Ankara.

However, independent economists fear the new government, a minority coalition composed of one conservative and one social democratic party, lacks the strength or ideological coherence for reform.

Mr Güneş Taner, economy minister from the conservative Motherland party, cautioned: "Our aim is not to take shock decisions in the economy, but to sort it out with fine tuning. We do not have a magic wand in our hands but we have knowledge and experience. We have solved major problems before, and we will do it again."

He and his colleague Mr Zekeriya Temizel, finance minister from the moderate Democratic Left party, said this year's budget deficit is likely to increase to $15.9bn (£9.9bn) from $15.32bn, though economists say the real increase is far larger because Turkey's currency is overvalued.

The outgoing Islamist-led government, forced to quit on June 30 under intense pressure from the secularist military, planned a balanced budget.

However, the new administration says it actually ran up a budget deficit of more than $5bn in the first half of this year. Mr Temizel estimated revenues for the full year at $34.08bn and spending at $50.07bn. Mr Taner said the new government now planned a mini-budget to raise $16.67bn.

However, economists are puzzled that while the government has increased its growth forecasts to 5.5-6 per cent, it has reduced its estimates for the trade deficit and the current account deficit, now expected to reach $4bn-$4.5bn rather than an earlier target of $5.6bn.

EU plans laws on pirate TV decoders

By Emma Tucker in Brussels and Alice Rawsthorn in London

The manufacture, promotion and sale of "pirate" decoders for pay-television and computer services will be outlawed across the European Union under draft legislation proposed by the Commission yesterday.

The move could save the fast-growing "on-line" industry millions of Ecus forcing countries to penalise outfits that copy, import, sell, promote, install or repair pirate decoders used to gain access to encrypted services such as video and music on demand and electronic data bases.

The industry estimates that up to 5 per cent of its turnover is lost as a result of piracy. However, the proposals do not extend to individuals who use decoders to hack into services for which they have not paid, a matter the Commission decided was best left to member states.

The European Anti-Piracy Association, which represents rights holders, equipment manufacturers, broadcasters and infrastructure providers said the legislation was of utmost urgency as piracy was discouraging investors.

But it was disappointed that the proposals did not cover personal use and possession, pointing out that people in the EU would still be able to buy pirated software and hardware from countries where the rules are laxer.

The draft directive was also criticised by the International Federation of the Phonographic Industry, which represents the world's record's companies, which complained that while the directive empowers service providers such as Canal Plus or BSkyB to take legal action against pirates, the same right is not extended to the content provider, or copyright holder.

The proposals, which will be presented to the Council of Ministers later this year, form part of a larger effort by Mr Mario Monti, the single market commissioner, to extend the single market to the field of electronic commerce.

The initiatives aim to create a level playing field. Yesterday's proposal, for example, will iron out discrepancies between the member states some of which – notably Germany and Denmark – have no laws against decoder piracy and have become a haven for operators avoiding tougher laws in countries like France.

Separately, the Commission presented a recommendation urging minimum standards in the area of electronic payments. These include giving customers clear information before and after a transaction and providing for a fair sharing of responsibilities between the issuer and the holder of an electronic payment card.

Santer calms 'first wave' row

By Lionel Barber in Brussels

Mr Jacques Santer, president of the European Commission, yesterday stepped in to avert a simmering internal row over the size of the first wave of countries negotiating to enter the European Union.

Mr Santer, who will chair a meeting of the 20-strong Commission on enlargement today in Brussels, held talks with Mr Hans van den Broek, the Dutch commissioner responsible.

Mr van den Broek is pushing for Estonia and Slovenia to join Cyprus, the Czech Republic, Hungary, and Poland to begin accession negotiations early next year. The talks will be based on economic performance and functioning democratic institutions.

Last week, Mr Santer left the impression that he favoured restricting the first wave to the Czech Republic, Hungary and Poland, as well as Cyprus which has already received a favourable opinion.

But after yesterday's meeting, officials close to Mr Santer and Mr van den Broek said both had reached agreement that EU Commissioners should follow the recommendations of the Commission services rather than political considerations.

"We have to operate on the basis of objective criteria," said one official. "We must let the professional services do their work."

Last week, Mr van den Broek caused an uproar among fellow-EU Commissioners by revealing that he favoured opening accession negotiations with five central Europeans plus Cyprus which has won a commitment to begin accession negotiations early next year, because of Greek pressure.

Some Commissioners felt they had been "bounced" by Mr van den Broek without having a chance to read the respective opinions on all 10 applicants which include Bulgaria, Romania, Slovakia, Latvia and Lithuania. Others argued that the Scandinavian commissioners had applied pressure for one Baltic state to make the short-list.

Mr Santer's caution on the size of the first enlargement wave stems partly from the inconclusive EU summit in Amsterdam last month.

EU leaders failed to agree on the institutional reform necessary to cope with an enlargement of the present 15-member Union to beyond 20 countries.

The Amsterdam summit stipulates that the EU must undergo a profound shake-up in institutions once it expands beyond 20 countries, including a new intergovernmental conference (IGC). But Mr Santer and Mr van den Broek agreed yesterday that making a commitment to six countries does not necessarily trigger a fresh IGC.

One official explained: "We can recommend opening accession negotiations with six countries but we will not set a date for entry. And opening negotiations is not the same as closing them."

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EUROPEAN NEWS DIGEST

Floods cause heavy damage

Floods inundating central Europe have forced the evacuation of tens of thousands of people in the eastern Czech Republic, southern Poland, Slovakia and north-western Romania. In the Czech Republic heavy rains since the weekend have claimed at least nine lives. Dozens of houses have been swept away and more damage is expected as floods move further downstream.

Ceska Pojistovna, the Czech insurance group, said the disaster was unmatched in the country's modern history. Trinecke Zelezarny, the Czech steelmaker, has cut production by half. Skoda Automobilova, the Czech carmaker, has been forced to interrupt production, as parts suppliers have been cut off, while the Barum Continental, the tyre maker, has closed all production.

Road and rail transport in the worst-hit areas has been suspended, the Czech state railways said that repair costs were mounting, while SPT Telecom said the floods were "the largest telecommunications catastrophe in the history of the Czech Republic". *Kevin Done, London*

Swedish TV ban overruled

The European Court ruled yesterday that Sweden, which bans television advertising aimed at children, could not block commercials broadcast from another European Union member state. But there was nothing in the EU's Television without Frontiers law to prevent Stockholm from applying stricter rules for broadcasters based in Sweden.

Sweden is the only EU country with a general ban on advertising aimed at children under 12. The case involved an advertisement for a magazine about dinosaurs that the publishing company De Agostini broadcast on television channels TV3 and TV4 in 1993. TV3 is a British-based channel broadcasting to Sweden. *Reuter, Brussels*

US leader defends Plavsic

President Bill Clinton yesterday weighed into the power struggle within the Bosnian Serb leadership to support Mrs Biljana Plavsic, the president. He hinted at possible new action to arrest her predecessor, Mr Radovan Karadzic, who has been indicted for war crimes.

Mr Clinton said that, while he did not agree with every act of the beleaguered Bosnian Serb president, "we support Mrs Plavsic, and oppose unconstitutional efforts to restrict her authority" by Mr Karadzic who is attempting a political comeback.

At a press conference at the Nato summit in Madrid, Mr Clinton reaffirmed that those indicted by the war crimes tribunal in The Hague should be arrested to stand trial. Appearing to widen slightly the remit of the Nato peacekeeping force in Bosnia, he said: "Our mandate is to arrest people. . . . if that can be done in the course of fulfilling our other duties and if the commanders on the ground believe the risk is appropriate." This would put the onus for a more active search for suspected war criminals on the shoulders of ground commanders. But Gen George Joulwan, Nato's supreme commander in Europe, said earlier yesterday it was up to politicians to take responsibility for arrests. *David Buchan, Madrid*

Venice occupiers jailed

A Venice court yesterday handed down tough sentences to eight people who seized the bell tower in St Mark's Square two months ago to highlight demands for restoration of the former Venetian republic. The four eldest members of the group were given six years' in jail; the four younger ones each received four years nine months with permission to be placed under house arrest. The group, several of whom had links to the populist Northern League, hijacked a ferry, brought a home-made armoured car into the square and occupied the bell tower for seven hours before being dislodged by special forces.

Magistrates are investigating some 50 people linked to the Venice commando including those involved in making pirate television and radio transmissions in favour of the League and the Venetian republic. *Robert Graham, Rome*

Outlook good for Spain

Spain's advisory panel of economic "wise men" yesterday presented an upbeat picture of the economy saying the government would have "no difficulty" meeting the convergence criteria for Europe's planned single currency. The six-member panel revised up its forecast of gross domestic product growth this year from 2.9 per cent in January to 3.2 per cent and predicted 3.5 per cent for next year. It estimated average inflation at 1.9 per cent this year and 2.2 per cent next. In January it had cautiously forecast a figure "below 3 per cent" in 1997 against 3.6 per cent last year.

The panel said the consolidated budget deficit, as a percentage of GDP, would drop to 3 per cent this year from 4.4 per cent in 1996, and to 2.5 per cent next year. It urged the government to be "more ambitious" next year to bring the deficit below 2.5 per cent. *Tom Burns, Madrid*

EU car recycling proposals

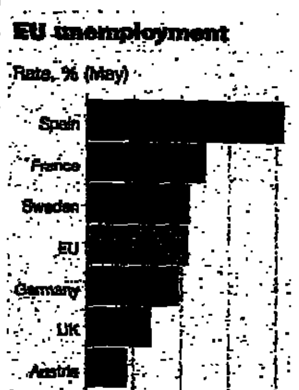
The European Commission yesterday published a draft directive designed to make car producers pay for recycling their vehicles. The measure, to be voted on by the Council of Ministers later this year, would oblige member states to boost reuse, recovery and recycling of car parts to 95 per cent of vehicles' weight by 2015.

Brussels estimates that 8m-9m vehicles are discarded in the European Union each year. However, many traders in spares and scrap-metal refuse to take on cars that contain too little metal and too much hazardous waste. Some 25 per cent of a vehicle, by weight, is dumped in waste sites.

To encourage producers to design cars easier to recycle, the Commission proposes charging manufacturers for dismantling and recycling cars that would otherwise be dumped. Fiat, Renault and BMW have already teamed up to take back cars and pass them to affiliated recycling plants. But a Commission expert said only six states had such recycling programmes. *Sander Thoenes, Brussels*

ECONOMIC WATCH

Jobless rate marks time



Unemployment in the European Union showed no signs of improvement in May, with the seasonally adjusted rate of joblessness unchanged at 10.8 per cent, the same as in the past three months, the EU said yesterday. The latest result compared with a jobless rate of 10.9 per cent a year ago and 10.7 per cent in May 1995. The total number of those without work was put at 18.2m. Spain continued to show the highest rate of unemployment at 20.8 per cent, while Luxembourg posted the best performance with a jobless rate of only 3.7 per cent. Unemployment is falling in the UK, Ireland, the Netherlands and Spain. The trend is up in Germany, France, Italy and Finland. *Agencies, Brussels*

■ Italian industrial sales rose by 9.1 per cent in April and industrial orders by 14.5 per cent from the same month a year ago.

Italy speeds state sales programme

By Paul Betts in Milan

The Italian government is taking steps to honour its promise to speed the privatisation programme by setting in motion a new series of state sell-offs before the August holidays.

These include the sales of Autostrade, the state-controlled operator of toll motorways, of the Seat yellow-page telephone directory company, of the Italian stock market, and of a 41 per cent stake in Aeroporti di Roma, the capital's airport authority.

All these are expected to be completed before the Treasury launches the more ambitious privatisation of the Stet-Telecom Italia telecommunications group later in the autumn.

The privatisation programme is an important component of the centre-left government's efforts to put its public finances in order and reduce the heavy indebtedness of the Iri state holding company.

Although the government has faced stiff opposition over some aspects of its privatisation programme from within its own coalition, the present batch of sales has given rise to little controversy.

The first stage of the Autostrade privatisation process was completed yesterday when the public works ministry submitted its financial report on the group to the Treasury. This has placed an overall value on Autostrade of between L4,300bn ($2.5bn) and L4,600bn ($2.7bn).

The Treasury is now expected to establish by the end of this month a hard core of stable shareholders to acquire up to 30 per cent of Autostrade. A group of investors from the northern Veneto region, among them the Benetton clothing company, have already expressed interest in forming this hard core. A public offer for the motorway company will follow after the summer break.

On Tuesday, Aeroporti di Roma, operator of Rome's Fiumicino and Ciampino airports, launched the roadshow for the sale next week of a 41 per cent stake in the company controlled by Iri.

The public offer, which could increase to 45 per cent in the event of strong demand, is expected to raise between L430bn ($250m) and L590bn ($345m).

The Italian stock exchange council will also announce details next week of the privatisation of the Milan bourse whose minimum price the Treasury has now fixed at L40bn ($24m).

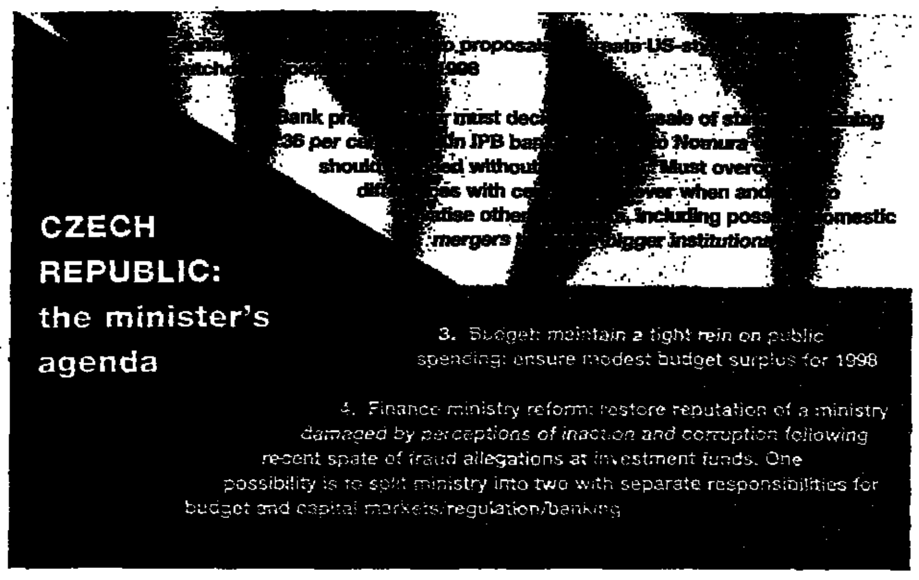
The sale is to involve a competitive auction by private tender. Qualified investors will be allowed to bid for a maximum stake of 5 per cent each and a minimum of 0.05 per cent.

The Treasury has set a deadline of October 8 for completing the sale of the bourse. Although the sums involved are modest compared to other flotations, the stock market privatisation is considered important for developing a more competitive equity market in Italy.

As for the sale of Seat, the telephone directory company spun off from Stet, this is now expected to be completed by the end of this month. A shortlist of candidates to acquire the company has already been drawn up.

Austerity years spell discontent ahead

Pilip takes on Czech finance 'post from hell', warning the government must keep its nerve if cuts are to go ahead, writes **Vincent Boland**



When the Czech prime minister, Mr Vaclav Klaus, appointed Mr Ivan Pilip as finance minister six weeks ago, sceptics suggested it was because nobody else wanted what might be called "the cabinet post from hell".

For a variety of reasons, mostly to do with the Finance Ministry's vast responsibilities and limited expertise, the job is the toughest in the government. It has lost much of its prestige under the previous minister, Mr Ivan Kocarnik, who, like Mr Pilip, is close to the prime minister.

Now, with his feet firmly under the desk, Mr Pilip seems well aware of his task. Already looking exhausted after a hectic few weeks which have coincided with the floating of the koruna and the need for a second austerity budget, he nevertheless feels the government can manage to see this period out.

Mr Pilip, 33, is frank about the government's difficulties in winning back the trust of the nation after a terrible few months. Tracing the roots of the problem back before last year's election, he says the biggest mistake was to slow reforms; Mr Klaus admitted as much himself last month.

He believes the government is "psychologically ready" for the tasks it confronts: seeking budget savings of Kč45bn ($1.4bn) this year and at least as much again in 1998; risking union unrest by freezing public sector pay; forcing companies and state sector companies into more and quicker restructuring; and rebuilding confidence among the public and investors.

"This is a new situation for politicians and the government," he says. "We will be working under great pressure and the risk is that some people will lose their nerve. But we have no other choice."

Mr Pilip's agenda is daunting. One of the most difficult items on the list is the commitment to budget savings, representing about 8 per cent of current government spending. If they are not forthcoming, the Czech Republic will almost certainly have to pay the price again on foreign exchange markets and in continued caution among direct investors.

"For 1998 we must freeze spending, that's for sure," Mr Pilip says. "On wages, we have reached no conclusion yet, but we will be something very close to freezing money for wages in the public sector." Union opposition to the wage freeze, which could yet manifest itself in labour unrest in the next few months, could be eased, he believes, if what he calls "the reasonable opposition" (a reference to the Social Democrats in parliament) is prepared to co-operate in getting through a difficult period.

Another pressing issue is the creation of an independent securities market watchdog along the lines of the US Securities and Exchange Commission. This new body has been promised for a long time but has yet to be set up, though debate on the issue is at last moving forward. Parliament starts discussing the legislation this month, and Mr Pilip says: "There is a good chance the new commission will be functioning after January 1 next year."

Critics say other reforms are essential, including separating banks' commercial arms from their investment funds and completing banking sector privatisation.

Mr Pilip says these are on the agenda, too. But he sounds less than enthusiastic about the sale of a 36 per cent stake in the IPB banking group to Nomura of Japan, a deal that has been in the offing for several months amid controversy over claims of favouritism shown towards Nomura at the expense of other potential buyers.

Asked if the sale to Nomura is definite, Mr Pilip will only say: "Negotiations are going ahead and we should try to sell the stake. Nomura is a bank with which we negotiate a lot."

He agrees on the importance for further sell-offs of getting the IPB deal right, and says there is a consensus in the coalition on the need for the job to be completed as quickly as possible.

"We know we must do something about the relationships between banks and investment funds and we are preparing legislation on that. But I think privatisation should start from the situation we have now," Mr Pilip says. This would seem to contradict a concession the government recently made to an independent MP in order to guarantee its own survival in last month's confidence vote. But Mr Pilip says the concession – that parliament would have a say in future privatisation decisions – should not be "exaggerated".

Perhaps not. Nevertheless, Mr Klaus, precariously balanced in parliament, will continue to need the support of independent MPs for the moment. The current troubles, which most voters blame directly on the prime minister, are his stiffest test ever. "At the beginning of reforms it was all Klaus. Now he is more a team player," Mr Pilip says. "A good solo player should be good for the team, and we can manage and survive. But it won't be an easy time."

Haughey did receive cash from tycoon

By John Murray Brown in Dublin


Haughey: 'mistakenly instructed legal team'

Ireland's political donations scandal took an unexpected twist yesterday when Mr Charles Haughey, Fianna Fail's former leader, admitted receiving I£1.3m ($2m) from a stores tycoon when prime minister in the early 1990s.

Mr Haughey's counsel made the statement yesterday to the government tribunal investigating payments to politicians, reversing his earlier denial that he had received any money from Mr Ben Dunne, former chief executive of Dunnes Stores.

Although there has never much doubt in the public mind that Mr Haughey had been a beneficiary, the admission will fuel charges of sleaze against the Fianna Fail-led coalition of Mr Bertie Ahern. Ms Mary Harney, leader of the Progressive Democrats, the coalition partner, called the revelations "clearly disturbing". The opposition Irish Labour party yesterday tabled questions on the affair in the Dail (parliament).

After establishing a complicated money trail involving bank accounts in Ireland, the UK and the Cayman Islands, the tribunal first heard Mr Haughey deny the allegations. Then, last Monday, he conceded that "in all probability" he had received the money, but without knowing the source.

Yesterday, he said he had until then "mistakenly instructed his legal team". Mr Haughey's counsel said he had only decided to make yesterday's admission after receiving "helpful documents" from Mr Dunne's solicitors.

Mr Dunne had earlier told the tribunal he had called "for tea" and personally handed over part of the money in three separate cheques made out to third parties. He told Mr Haughey: "This is something for you", to which Mr Haughey replied: "Thank you big fella."

It also emerged that, as early as 1994, Mr Haughey had told Mr Dunne's solicitor of his concern about the "devastating impact" if the payments were to be made public during legal action to oust Mr Dunne from the board. Mr Dunne had earlier been convicted in the US on drug offences after being arrested in Florida hotel.

Yesterday's revelations seem to have been an attempt to pre-empt the tribunal's decision to call Mr Dunne's solicitor to answer questions relating to conversations he had with Mr Haughey.

The former prime minister is himself due to appear before the tribunal sometime next week. The tax authorities are also said to be considering whether there are any tax implications.

The scandal has long since scuppered any chance he might have entertained of becoming president following Mrs Mary Robinson's decision to stand down in November. Friends now insist it was never an ambition as it would have meant "moving to a smaller house".

Central bank governor sees investor confidence eroding as violence continues

Upheaval threatens Kenyan economy

By Michela Wrong in Nairobi

With Kenya yesterday rocked by a third day of clashes between security forces and demonstrators calling for constitutional reform, the central bank governor and the World Bank's country director warned that continued unrest would seriously undermine the country's economy.

"Investor confidence is being eroded every day. No one wants to work in those conditions," said Mr Micah Cheserem, governor of the Central Bank of Kenya, shortly before two university campuses in Nairobi descended into chaos again.

"You cannot keep closing down a country. If things escalate there will be capital flight, the Shilling will depreciate and that will cause inflation. We cannot afford a repeat of this," Mr Cheserem added.

The World Bank said Kenyan government predictions of 4 per cent growth in 1997, already viewed by analysts as over-optimistic, would be impossible to fulfil if disturbances continued.

"The economic cost of this nonsense is very high," said Mr Harold Wackman of the Bank. "All kinds of people will have been cancelling their holidays. It deters tourists, it deters investors. If this continues, I wouldn't expect much growth at all this year."

Foreign donors and even members of the ruling Kanu party have been pressing President Daniel arap Moi to accede to at least some of the demands made by opposition groups, religious leaders and non-governmental organisations pressing for the repeal of laws seen to be weighting forthcoming polls in his favour.

But so far Mr Moi has resorted to strong-arm tactics, triggering some of the worst political violence since the drive for a multi-party system was launched in Kenya in 1991.

Yesterday, despite the potentially embarrassing presence of African leaders attending a regional summit, riot police stormed the main university campus in central Nairobi, clubbing scores of students, wrecking halls of residence and firing off rounds of teargas.

There were also violent clashes in the north-west Kabete campus, with students setting fire to cars and buses, after the authorities ordered that the entire five-site University of Nairobi be closed.

The violence comes as Kenya's economy is already looking vulnerable. Last year's drought devastated the key agricultural sector and more and more Kenyans are falling below the poverty line as real inflation soars into double digits.

In addition, the International Monetary Fund has threatened to suspend its loan programme unless the government takes concrete steps to tackle a long-running financial scandal.

This means Kenya will be deprived of both $37m from the IMF and nearly $72m in structural adjustment and other credits from the World Bank. "Some $37m is not loose change for a country like ours, but it does not leave a big hole," said Mr Cheserem. "What does leave a big hole is the loss of credibility Kenya suffers by not having a structural adjustment facility."

Financial analysts says Kenya's tarnished image is the reason the government is waiting until after the elections, expected later this year, before trying to reduce domestic debt by floating a eurobond on the international market.

They also predict that up to half the $300m-$500m in "hot money" attracted to Kenya in the last year by high T-bill rates will move abroad over the next couple of months as bills mature.

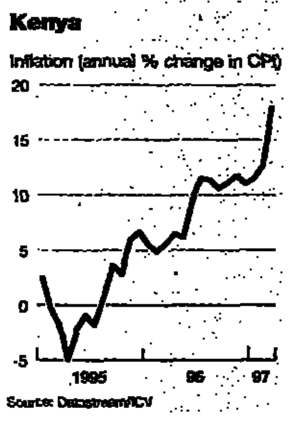
"May 31 jolted people's complacency," said one financier, referring to the violence triggered by the first pro-reform rally. "Kenya suddenly looked less attractive. There has already been capital flight."

Jitters are also running through the tourism industry, a big foreign exchange earner only just recovering from a three-year slump caused in part by negative media reports about security problems in Kenya.

"We had just managed to get the trend turned around," said Major Aussie Walker, vice-chairman of the Kenya Association of Tour Operators. "We were hoping to get 750,000 visitors this year, but now people are becoming cautious."

A business analyst was blunter: "You can definitely kiss goodbye to a strong tourism year".

● Members of the European Union and six other countries condemned the violence and urged Kenya's government to open a dialogue with groups demanding constitutional reforms.



Students argue with police surrounding Nairobi University's campus yesterday, the third day of clashes in the Kenyan capital Reuter

Shipowners and Brussels in reinsurance row

By Christopher Adams, Insurance Correspondent

A bitter row between shipowners and the European Commission threatens to blow apart the world's oldest club of mutual insurers and raise reinsurance costs for much of the commercial shipping industry.

The international group of P&I (protection and indemnity) clubs, which comprises shipowners representing 90 per cent of the world's merchant fleet, has rejected demands from Brussels that it increase competition among members.

Its stance is likely to anger the Commission, which argues that the society is in effect a cartel and has pressed for new rules to be introduced that would relax internal pricing controls.

But the P&I clubs warn the proposed changes would be disastrous and accuse Brussels of failing to understand how the group works. "They would cause the break-up of a system which has been going for 100 years," says Mr John Riley, chairman of the society. "We will strongly contend them."

The clubs take around $2bn a year in premiums from members to insure their liability risks. Under an international agreement, a mutual pool of funds is used to cover the cost of claims from collisions and oil spillages.

A large chunk of reinsurance guards against the high costs of catastrophes.

The Commission intervened after Greek shipowners said rules governing the upper limits of exposure were too burdensome. Members were required to meet up to $18bn in liabilities should the reinsurance ever be exhausted.

This week will see something of a compromise, with member clubs expected to approve a reduction in the upper layer of liability to $2.25bn. But their refusal to introduce more flexible pricing may prompt the Commission to drop an exemption from competition rules granted 12 years ago and enforce changes.

Mr Riley argues that the clubs cannot concede the latter point. At present, a shipowner moving to another club within the umbrella group pays the same insurance premium for a year. Were this regime to change, he says, competition between the clubs would probably destabilise the umbrella organisation.

Underwriters say the repercussions of a break-up would be felt across the world's reinsurance markets. Many shipowners would have to pay much bigger premiums. The contract negotiated each year by the P&I clubs is the biggest single transaction in the reinsurance market and provides $2bn in cover. This year, the clubs secured a 40 per cent reduction in the premium from $340m.

Canada warns US on salmon fishing

By Scott Morrison in Vancouver

Canada is threatening retaliation after the US allowed its commercial fishing fleet to begin intercepting Pacific sockeye salmon bound for Canadian breeding grounds without an agreement to divide the C$400m (US$290m) harvest.

US fishermen this week began intercepting salmon heading into the Fraser River near Vancouver, a run to which Canada claims they have no rights. Canadian officials are also angered that the US began fishing before the size of the run is confirmed. Should the number of fish be less than estimated, one official said, Canada will have to reduce its catch for conservation purposes. Canada has allowed limited catches of salmon until the size of the run, forecast at 1.1m, is confirmed late this week.

Canadian officials have warned that Canada might retaliate when the main salmon migration, estimated at 18m sockeye, passes through its waters in early August. The federal government has encouraged the country's commercial fleet to fish "vigorously" to overwhelm efforts of the smaller US contingent.

Mr Dennis Brown, an adviser to the British Columbia government, said Canada could catch all but 5m sockeye salmon, the minimum number of fish that must reach spawning grounds to maintain stock levels, leaving little for US fishermen.

"We won't go out of our way to make sure the US gets its entitlement," he said.

A US fisheries official said his country had not fished the early run aggressively and he complained that the US would be blamed for a shortage of salmon despite efforts by Canadians to launch an all-out catch later in the season.

Talks between the two sides to reach a multi-year agreement broke down last month. The two countries have been trying to settle the dispute since 1992, when fishing quotas lapsed. Canada strongly criticised the US for failing to agree to reduce its catch of Canada-bound sockeye salmon, although the Canadian side had agreed to reduce its catch of threatened US-bound coho salmon.

Americans may take lead on standards

By Jim Kelly, Accountancy Correspondent

Canadian regulators have suggested that, if the international body trying to forge a set of global accounting standards fails to win the backing of the world's leading stock markets, a North American alternative will emerge.

In a confidential report an official task force recommends that Canada in effect sit on the fence in the medium term and wait to see if the International Accounting Standards Committee gets the backing of the world's securities regulators (IOSCO) in 1998.

If the IASC fails, the report outlines an alternative possibility in which Canada joins the US in standard-setting: "They could also include Mexico, and ultimately, other countries in the Americas and possibly other regions of the world," says the report.

Some observers believe this option would in effect develop into a world accounting standards board – with the US Financial Accounting Standards Board (FASB) inviting other senior standard-setters such as the UK and Japan to join the board.

While the floating of this option will unsettle the IASC project – led by Sir Bryan Carsberg – the report's apparent preference for a truly international solution and its refusal to meet domestic pressures and adopt US standards immediately will hearten supporters of the IASC.

The IASC is currently meeting in Beijing and the Canadians are among other countries with a standard-setting tradition taking part - including the UK, US, Australia and New Zealand. China has just become a non-voting member. The project is winning increasing support, including that of the European Commission.

The Canadian task force report is due to be published this month and then considered by its sponsors – the Canadian Institute of Chartered Accountants – and the public. "The task force warns that the failure to achieve IOSCO acceptance of international standards will make the American standard setters the de facto world leaders," said Mr David Cairns, former secretary-general of the IASC and editor of World Accounting Report.

The task force further warns that an IOSCO agreement in turn relies on US financial regulators.

Either way the task force believes an international code is inevitable – led by the IASC or the US. "The increasing globalisation of business activities and the related need for standards that are internationally accepted by the world's capital markets will – ultimately – demand it."

The task force reveals that a switch to US standards was an option as a result of "competitive business pressures and the need to raise capital in the US markets". But it concludes: "We are sensitive to the majority of Canadian companies who do not operate in this marketplace and who would face an immense learning curve and significant compliance costs to adopt US standards."

The task force further argued that switching to US standards now might mean it had to switch again soon, either to Sir Bryan's new code if it wins the backing of IOSCO or to a US code revamped for international use. The decision to stall at least gives Sir Bryan time to complete his standards to present to IOSCO by mid-1998.

The report shows that the future of international harmonsation is still in the balance. On one hand the IASC is winning endorsement widely outside the US. But the SEC faces the key decision: whether to back the project or seek a US-led alternative. If anything, the report highlights the consequences of an IASC failure. The European Commission, and many others, might find a North American option unacceptable.

US and EU at odds over data protection

By Neil Buckley in Brussels

Differences between US and European Union laws on personal data protection have emerged as a potentially serious barrier to creation of a global free market for commerce on the internet.

The European Commission yesterday urged the US to strengthen its laws on data privacy to bring them into line with European equivalents, or risk seeing curbs on exchange of information.

The latest hurdle to development of a worldwide internet marketplace emerged at a meeting between Mr Ira Magaziner, senior adviser to President Bill Clinton and architect of last week's US report on electronic commerce, and Mr Hans Beseler, Commission director-general for trade policy.

It came a day after differences emerged between EU ministers and the US at a conference in Bonn over the unrestricted use of encryption technology on the global computer network.

A recently adopted EU directive on data protection makes it illegal after October 1998 for EU businesses to "export" personal data for commercial purposes to countries which lack comparable privacy laws.

Such a ban could prevent the sale of customer information, or even exchanges of marketing databases between subsidiaries of international companies.

The clause has already been cited by financial services groups as a potential barrier to trade.

Commission officials said they were concerned that consumers would refuse to buy products or services on the internet if they were not confident that personal data they provided would be secure, and that they would not be bombarded by unsolicited marketing.

Brussels wants the US to introduce European-style privacy laws. "The creation of a federal privacy body with powers to hear and investigate complaints, and act as interlocutor for European data protection authorities, would be a big step in the right direction," a Commission official added.

But the US fears heavy-handed privacy rules could stifle trade, and prefers industry self-regulation.

Mr Magaziner suggested internet traders should develop a voluntary code of conduct, with "seals of approval" for companies pledging to respect privacy and security of personal information. "Industry and consumer groups have the same incentive as we have to protect privacy, because they won't do business unless people feel their privacy is protected," he said. "Ultimately the power rests with consumers. They can buy or not buy, go to one web site or not go."

Mr Magaziner suggested it would be a mistake for the EU to isolate itself by applying the clause in its data protection directive next year.

Cape Town seeking Olympic gold

Roger Matthews weighs the high political stakes in South Africa's 2004 bid

None of the five remaining contenders to stage the Olympic Games in 2004 stands to gain more from winning, when the decision is finally made on September 5, than South Africa. From whichever perspective the Cape Town bid is viewed, political, economic, or social, the potential benefits for the country are substantial.

Much of the euphoria generated by the successful political transition in 1994 has dissipated. In its place is a growing appreciation of the enormous task in narrowing racial differences, combating massive unemployment and overcoming the legacy of apartheid. A vote of international confidence in the country's capacity to stage the world's premier sporting event would be timely.

The Cape Town bid committee is headed by Mr Chris Ball, the former head of First National Bank – previously Barclays' South African operation and a big sports sponsor. He estimates that the Games would add 1 per cent to the country's gross domestic product annually for 10 years. It would create 100,000 permanent jobs, he claims, against a background of an officially estimated unemployment rate of close to 30 per cent.

Mr Ball says the employment benefits would also provide a long-term boost to the labour-intensive tourism industry as a result of the international exposure given to South Africa's attractions.

Politically, the gains are scarcely less emphatic, but more muddied. For the continent, which has never staged the Games, it would give credence to the campaign to stimulate an African renaissance.

For South Africa it would be tangible recognition of its contribution to the power of compromise on a continent not noted for it. And there could be no more fitting present for President Nelson Mandela. There might even be gains by giving the Games to the only province governed by the National party, the past ruler of South Africa, if that served to undermine the resistance to the new political order.

Such polls as have been carried out tend to show that support for staging the Games is weakest among South Africa's white population. Resistance is rooted in a combination of pessimism that South Africa is capable of staging a world event, and a broader reluctance to accept change to an environment, or life style, that has altered little in the past four decades.

Although a substantial majority of Cape Town residents are in favour of the Games, the minority view was strong enough to make its mark in the International Olympic Committee's evaluation report before the shortlisted sites were chosen. So intent was the Cape Town bid committee on ensuring that its technical and financial proposals passed muster, it belatedly acknowledges it may not have yet done enough to sell the concept locally, or internationally.

There is unanimity, however, that sport can be one of the nation's most unifying activities. South Africa's victory in the 1995 World Cup remains one of the nation's happiest post-apartheid moments.

Little should be more motivating for the nation than the prospect of cheering its medallists, black and white, on to the victory podium in a city as scenically captivating as Cape Town. It would make South Africa feel better about itself, and perhaps the world better about Africa.

INTERNATIONAL NEWS DIGEST

New S African party planned

Plans for a new political party in South Africa aimed at challenging the dominant African National Congress at the 1999 general election are to be unveiled at the end of September. The new organisation, which has yet to be named, is the result of talks between Mr Bantu Holomisa, who was forced out of the ANC last year, and Mr Roelf Meyer, the former secretary general of the National party, which governed the country for over four decades until 1994 and is now the principal opposition party.

Mr Meyer said yesterday "very strong common ground towards establishing a new political vehicle" had been achieved in two days of talks. A preparatory committee will spend the next two months seeking agreement on common policies, and, if successful, an attempt may be made to draw in other small parties. A spokesman for the ANC dismissed the move as "nothing but a chimera", while the National party said the only effect was "to bring together individuals who have been alienated from existing parties". *Roger Matthews, Johannesburg*

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Sudanese peace framework

Sudan has accepted a framework for negotiations clearing the way for resumed talks to end 14 years of civil war.

But Sudanese President Lt-Gen Omar Hassan al-Bashir said the framework, "the declaration of principles", was not binding. A summit of regional leaders described it as a basis for discussion.

In response, the main Sudanese rebel group, the Sudan People's Liberation Army (SPLA), said it could not resume negotiations with Gen Bashir after a break of nearly three years unless the framework was binding on both parties.

The leaders of Kenya, Ethiopia, Eritrea, Sudan and Djibouti and a representative of Uganda earlier yesterday hailed the Sudanese acceptance of the declaration of principles as "a major breakthrough" in the long search for peace in southern Sudan.

The declaration included the separation of religion and the state and the principle of self-determination for south Sudan. *Reuter, Nairobi*

Israeli-Palestinian talks

Mr Yitzhak Mordechai, Israel's defence minister, and Mr Nabil Shaath, the Palestinian minister of planning, were last night planning talks under US-Egyptian auspices. The move could pave the way for the resumption of peace talks. The meeting, at the Tel Aviv residence of Mr Martin Indyk, US ambassador, is the first official one since March, when all negotiations were suspended after Israel started building a Jewish settlement in east Jerusalem.

In another development, Mr Natan Sharansky, the trade and industry minister, is planning to meet Mr Abu Mazen, a senior PLO official. *Judy Dempsey, Jerusalem*

CKI in China water deal

Cheung Kong Infrastructure, the unit hived off from Hong Kong property developer Cheung Kong last year, yesterday signed a Yn200m ($24m) deal to invest in three Chinese water treatment plants.

Yesterday's contracts bring CKI's investment in Liaoning province, in the north east of China, to Yn2.4bn.

The three plants, in which CKI has a 69 per cent stake, are fully operational. The biggest has a capacity of 150,000 tonnes a day; the other two jointly manage 220,000 tonnes. The joint venture period will last for 18 years. Mr H.L. Kam, CKI group managing director, said: "We see great potential for the water business, and hope to expand our water operations in the near future to complement our existing transportation, power and infrastructure materials businesses." *Louise Lucas, Hong Kong*

Power station for Taiwan

Energy Group, a UK energy and mining concern, yesterday announced plans to develop a coal-fired 550MW power station costing $530m in Taiwan with local partners, The Full Power Corporation and China Development, Taiwan's leading venture capital company.

The plant, in Hualien on the north-east coast, is expected to come on line in 2001. Full Power and China Development together will have a 70 per cent stake while Energy Group has 30 per cent and full operational and maintenance responsibility.

The coal will come from outside Taiwan, some of it from the Peabody mines in Australia, owned by Energy Group. *Laura Tyson, Taipei*

صكتا من الاصل

Senate fires salvo at Nato deal

By Gerard Baker in Washington

As US administration officials were busy congratulating themselves yesterday on their success in persuading Nato leaders to enlarge membership of the alliance to just three former Warsaw Pact countries, members of Congress were lining up to attack the deal.

Senators from both main political parties expressed reservations about the terms of the agreement that would extend membership to Poland, Hungary and the Czech Republic and warned congressional approval was by no means certain.

Mr Jesse Helms, Republican chairman of the Senate foreign relations committee, said President Bill Clinton's "egregious mishandling of Nato expansion is raising serious concerns in the US Senate" and "dramatic changes need to be made" if the Senate was to approve the plan.

The Senate must ratify the proposed amendments to the Nato treaty that would permit the entry of new members. Thoughthe proposal seems to have enough support to gain the necessary two-thirds majority, serious opposition is emerging.

Senators expressed concern about strategic goals of the expanded alliance and about the extra cost it might place on US tax-payers. Mr Helms said the clear strategic goal of the old Nato - defending the territorial integrity of its members - had been muddied by the terms of the expansion.

Administration officials had described enlargement of the alliance as a means of promoting democracy in eastern Europe and of furthering the aims of the United Nations in international peacekeeping.

While he continued to support expansion in principle, Mr Helms called for changes that would give Nato a much more coherent defence role.

These included an agreement to place no limits on forces that could be stationed in the new member countries; excluding Russia from important strategic and tactical Nato discussions, and rejecting any attempts to tie Nato decisions to UN Security Council approval.

Cost is emerging as a highly contentious issue. The administration claims the total bill to be about \$35bn over the next 12 years, with the US picking up about 10 per cent of the tab.

Fears are growing that the country could go the way of Colombia

Venezuela at crossroads in drugs war

Long before sunrise in the small town of San Juan de las Galdonas, on Venezuela's Paria Peninsula, a 16-year-old with fiery eyes and covered in sweat hurries from door to door trying to sell a fresh catch of fish. "Give me anything for it, I just need the cash," he says.

He is one of a growing number of "crack" addicts in the otherwise idyllic, sleepy fishing village that have been caught in the deadly distribution network of Latin America's powerful drug cartels.

As local intermediaries are increasingly paid with a percentage of the illegal narcotics, they sell drugs on streets and in high schools to convert them into cash, increasing the number of addicts not only in urban centres but also in outlying rural areas. Some 200,000 Venezuelans are estimated to be hooked on cocaine and another 170,000 on "crack" and *basuco*, a low-quality coca paste derivative.

As the drug war in Colombia, the world's principal cocaine-producing country, has been stepped up in recent years, drug trafficking and money laundering are increasingly spilling into Venezuela, reaping previously unknown social and economic havoc.

"Drug-trafficking is like a balloon," says Mr Sandro Calvani, Caribbean director of the United Nations International Drug Control Programme. "You squeeze it at one end and it reappears at the other".

As much as 61 per cent of the cocaine supply going to Europe and the US passes through the larger Caribbean basin, he says. As much as 200 tonnes (out of 500 tonnes consumed in the US annually) are estimated to pass through Venezuela.

Last month, the arrest of 32 members of the N'draghetta Mafia in Italy and Venezuela, which allegedly manufactured and shipped large quantities of drugs to Europe, highlighted Venezuela's importance as a central South American port of exit for drugs.

Cocaine leaves the country in human stomachs, miniature submarines or small fishing boats. Its proceeds come back through electronic transfers, dubious cheques, or wads of cash in paper bags. Some \$2.5bn is estimated to be laundered every year in Venezuela, where bank assets at the end of last year totalled only \$14bn and anti-narcotics efforts have been lax.

"There is no coherence or consistency in the fight against drugs; government organisations react slowly," says Mr Juan Martin Echeverria, former justice minister.

A stone's throw from San Juan, on the tourist island of Margarita, a money-laundering operation disguised as a hotel and involving the branch of a bank was raided earlier this year after tax authorities and the superintendency of banks tipped off the national guard.

For the new National Anti-Drugs Commission (CNA) in Caracas, the latest drug raids are only one indication that the government is serious about stepping up the drugs war. Mr Carlos Tablante, the reform-minded head of the CNA, says: "We're not creating a massive bureaucracy nor rewriting countless laws; what we're doing is giving new impetus to an ongoing problem in co-ordination with other public and private entities".

Yet efforts to control money-laundering, admits Mr Francisco Debera, superintendent of banks, are still in the early stages. The superintendency is still working out a resolution that essentially holds banks responsible for monitoring their clients.

It would require them, under penalties, to check the origin of funds in excess of \$10,000 and report any suspicious transactions to the superintendency. Similar requirements were recently introduced in the gaming industry, where hundreds of mostly illegal casinos are a channel for money-laundering.

"It's a gradual process and there's still a lot to be done," says Mr Debera, "but we're determined to see it through".

Recognising the potential threat of the narcotics trade to legal businesses, chambers of industry and commerce have been meeting with foreign narcotics experts to learn about strategies of detecting, for instance, a disguised shipment of drugs or suspicious forms of payment. Recently introduced tax holidays are meant to prompt private-sector donations to the drug-fighting cause.

An important test of Venezuela's determination to prevent the drug trade from penetrating and destabilising its political system, as it has in neighbouring Colombia for years, will be efforts to restrict the flow of narco-dollars into campaign coffers of local and national politicians.

Critics fear such a legislative proposal, now before congress, may not pass in time for next year's national elections. "Drug traffickers are no longer content with weakening governments, they are actively seeking to influence electoral results," says Mr Calvani. "It's a direct challenge to the democratic process."

Raymond Colitt

Clinton urges caution over China probe

By Gerard Baker in Washington

President Bill Clinton said yesterday's allegations that China tried to influence last year's US elections with covert campaign contributions were "serious", but warned against jumping to conclusions until the FBI had finished investigating the case.

Mr Clinton was responding to claims by Mr Fred Thompson, the chairman of the Senate governmental affairs committee on Tuesday that he had evidence Beijing sought illegally to direct substantial sums to both presidential and congressional campaigns last year.

"I do not know whether it is true or not," the president said at the end of the Nato summit in Madrid. "If any country...sought to influence policy through illegal means, including illegal campaign contributions, to people running for president or people in the Congress, it would be wrong and a matter for serious concern" he said. The US would react "in an appropriate manner" if the allegations were found to be true by an FBI investigation, he said.

Mr Thompson's committee's investigation into alleged campaign finance abuses in the elections began hearing from witnesses yesterday.

Mr Richard Sullivan, the Democratic party's former finance director testified that two calls from President Clinton's deputy chief of staff prompted the party to hire Mr John Huang, the controversial fund raiser.

Mr Sullivan said he had had reservations about Mr Huang's capabilities as a fundraiser, but agreed to his appointment after the calls from the White House.

Mr Huang is at the centre of allegations that the Clinton re-election campaign raised money illegally from foreign sources, mostly Asian businessmen, in return for favours from the administration.

Spirits adverts reprieve

By Mark Suzman in Washington

The US Federal Communications Commission, the chief regulatory authority for broadcasting and telecommunications, has decided not to proceed with an investigation into television advertising of alcoholic spirits.

President Bill Clinton, several members of Congress and 13 states had asked the FCC to examine the issue after some leading alcoholic drinks companies last year broke a self-imposed ban on advertising their products on television. Although none of the big networks have yet accepted such advertisements, around 50 smaller stations have started running them.

But despite vigorous support for the proposal by Mr Reed Hundt, FCC chairman, the four-member, independent Commission reached a deadlock on the issue, which under FCC rules means it cannot go ahead.

The investigation would have looked at how many stations were running spirits advertisements, and tried to establish their impact on under age drinking.

It would also have considered an outright ban or compulsory counter advertising with health messages.

Wholesale sales up in US

Sales by US wholesalers picked up in May after two consecutive months of declines, the Commerce Department said yesterday, Reuter reports from Washington.

Sales rose 0.2 per cent to a seasonally adjusted \$210.35bn in May (5.1 per cent year-on-year) after declines of 0.1 per cent in April and 0.8 per cent in March. The pick-up occurred entirely among for non-durable goods, especially drugs, alcohol and groceries.

Inventories increased 0.2 per cent to a seasonally adjusted \$258.66bn in May after a revised 0.5 per cent decline in April that previously was reported as a sharper 0.7 per cent fall.

The pick-up in May inventories was in line with Wall Street economists' expectations. Analysts said larger inventories might indicate anticipation of stronger consumer spending in the third quarter.

All the inventory rise was concentrated in costly durable goods like cars, lumber and machinery, as stocks of durables grew by 0.5 per cent to \$165bn following a 0.2 per cent gain in April.

By contrast, inventories of more quickly used non-durable products like farm products, chemicals and alcoholic products declined 0.2 per cent in May to \$93bn after a 1.8 per cent drop in April.

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IN BRIEF

Rémy Cointreau shares fall

Shares in Rémy Cointreau fell nearly 13 per cent yesterday after the French wines and spirits group reported a sharp fall in profits for the year to March 31. The shares ended the day at FFr130.5 from an opening of FFr148.9. Page 15

Bourses pull back from the peaks
Wall Street's inability to follow Tuesday's 103 point rise to another record high saw many European bourses retreat from their own peaks in the final hour of trading. Zurich's SMI index pulled back from another intra-day peak of 6,101.2 to close 35.5 lower on the day at 5,977.1. Page 30

Angang aims to raise $226m
Angang New Steel, China's latest state-owned enterprise seeking an overseas listing, aims to raise up to US$226m (HK$1.75bn) on the Hong Kong stock market this month. The company will use the proceeds to expand production and to upgrade products. Page 15

European stock markets may link
The French stock market may link with its Swiss and German counterparts as soon as next summer to provide joint trading and clearing links for equities. Page 14

Wells Fargo costs warning
Wells Fargo, until recently the most admired bank in the US, suffered another dent to its reputation with a warning about the costs stemming from its hostile takeover of First Interstate. The San Francisco-based bank blamed expenses resulting from the $10bn takeover for the problem. These would leave second quarter earnings around $1 a share below the $3.52 that Wall Street had been expecting. Page 14

Moscow investment banks merge
Intensifying competition in Russia's corporate finance market has prompted the merger of two local operators, MFK and Renaissance Capital, to form Moscow's biggest investment bank. The merger comes as international banks such as J.P. Morgan, Merrill Lynch, and Goldman Sachs, prepare to open Moscow offices. Page 14

Companies in this issue

Market Statistics http://www.FT.com

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Adidas	228.0	+	12.3
Munch Rck R	5650	+	165
Rheinmetall	425	+	21
Falls			
Herlitz	157	−	15
Metro AG	209.0	−	7.4
PWA	285.0	−	7.7
NEW YORK ($)			
Rises			
Detroit Diesel	23	+	2¼
Grupo IUS	18⅞	+	1⅛
Mrgn Stnly Res	37⅝	+	2⅝
Tampin Russia	60¾	+	6⅝
Falls			
Outboard Mar	15⅝	−	3⅞
The Talbots	29⅝	−	5⅛
LONDON (Pence)			
Rises			
Dixons	535½	+	44
MAID	172½	+	17½
Monarch Res	44	+	10
RPC Group	137	+	18
Falls			
British Biotech	185½	−	15½
Low & Bonar	211½	−	32
TORONTO (C$)			
Rises			
Asbestos Corp	22.50	+	0.50
Semvest Cap	10.25	+	0.90
Falls			
Datamirror	8.35	−	1.00
Orvana Mnl	3.85	−	0.55
N Amer Pall	4.6	−	0.7
Speedy Muffler	6	−	1

PARIS (FFr)			
Rises			
Chargeurs	380.7	+	11.7
Lafarge	388.0	+	10.2
Seb SA	1225	+	46
Valeo	414.5	+	17.3
Falls			
Remy Cointreau	130.5	−	18.4
Worms Cie	338	−	11
TOKYO (Yen)			
Rises			
Showa Aluminum	810	+	25
Tokyo B'cast	2380	+	160
Falls			
Aska Corp	208	−	13
Chiyoda Corp	438	−	29
Takisen Corp	395	−	28
Tobishima Corp	187	−	12
HONG KONG (HK$)			
Falls			
Chinese Est H	8.9	−	0.1
Cosco Pacific	15.15	−	1.20
HK & China Gas	14.55	−	0.45
HK Electric	29.4	−	1.0
Kowloon Motor	18	−	1
Sino Land	7.80	−	0.15
BANGKOK (Baht)			
Rises			
Electric Gen	67	+	6
Siam Sthk	458	+	40
Thai Airways	62.5	+	5.5
Thai Glass	74.5	+	8.5
Falls			
GSS Elec	70.5	−	7.5
Text Prestige	28.25	−	2.75

New York and Toronto prices at 12:30.

Guinness and GrandMet consider three-way combination of drinks interests

UK groups may link with LVMH

By Ross Tieman

Guinness and Grand Metropolitan, the two UK drinks groups planning a £24bn ($40.56bn) merger, may be willing to combine their wines and spirits businesses with those of LVMH, the French luxury goods group.

Opposition to a three-way combination of drinks interests with those of LVMH's Moët Hennessey has apparently softened.

But analysts say proposals from Mr Bernard Arnault, chairman of LVMH, are only likely to receive a constructive response if Mr Arnault can demonstrate they will enhance shareholder value for Guinness and GrandMet.

Guinness and GrandMet have predicted savings of £175m a year from their planned merger. Research from Goldman Sachs, the US investment bank, suggests that combining their spirits operations with those of Moët Hennessey in a second merger could produce a further £80m of economies.

But the British merger partners are determined that Mr Arnault will not be able to exercise effective control over any merged entity without paying a premium.

After a meeting with Mr Tony Greener, Guinness chairman, and Mr George Bull, chairman of GrandMet, in Paris a week ago, Mr Arnault, is drawing up formal proposals. He plans to merge his Moët Hennessey with the spirits operations of Guinness and GrandMet and float the combined group on the London stock exchange valued at £10bn to £15bn.

Mr Arnault, who used his seat on the Guinness board to vote against the existing merger proposal, has an array of bargaining chips.

These include a 14.2 per cent holding in Guinness and a 6.4 per cent interest in GrandMet, with a combined worth of 2.49bn. Together with its 66 per cent holding in Moët Hennessey, valued at up to £2bn, that could enable LVMH to inject assets of about £4.5bn in exchange for 30 per cent to 40 per cent of the joint venture.

The remaining 34 per cent of Moët Hennessey is owned by Guinness.

Mr Arnault says the Guinness-GrandMet merger is an event that gives him the right to buy out the Guinness stake in Moët Hennessey and take control of the joint ventures.

Profits from these ventures are divided according to the brands sold. Analysts estimate they generate trading profits for Guinness of £50m to £60m a year, and suggest Guinness's share of the ventures is probably worth around £500m.

That apparently includes the benefit to LVMH from its right to buy Guinness's share of Moët Hennessey at a 15 per cent discount.

Analysts say the benefits of the merger with GrandMet outweigh any likely loss if Guinness's collaboration with Moët Hennessey is dissolved.

Russian bank plans $100m eurobond

By Edward Luce in London

Peter Aven, head of Alfa Bank, leads only the second eurobond issue by a Russian bank Edward Opp

Mr Peter Aven, president of Alfa Bank, Russia's third largest private bank, was in London yesterday to market a $100m eurobond to be issued later this month. The bond will be the second time any Russian bank has tapped the international debt markets.

Alfa Bank, which is part of the Alfa group – Russia's most diverse financial conglomerate – said its debut eurobond was part of a two-year strategy to improve its corporate franchise.

The bank is expected to issue the debt with a coupon of between 10 and 11 per cent, a significantly lower rate than the 13-18 per cent available for borrowing in roubles in the Russian domestic market. The issue, awarded a credit rating of B by Standard & Poor's and B1 by Moody's, will be managed by Goldman Sachs.

Alfa Bank's eurobond is only the second non-state Russian debt issue after SBS-Agro pipped it to the post with a $200m eurobond issue earlier this week.

Bond analysts say there will be at least another 10 Russian corporate and bank dollar bond issues before the end of the year.

Scourge to scion, Page 14
Bonds, Page 18

McDonald's to restructure business in US

By Richard Tomkins in New York

McDonald's, the US fast food chain, yesterday announced a drastic shake-up of its US business – including the departure of its US chief executive – in an attempt to reinvigorate flagging domestic sales.

It is reorganising the business into five geographical divisions, each of which will operate independently. The move is intended to bring decision-making and accountability closer to customers, restaurants and franchisees.

The shake-up reflects McDonald's failure to boost sluggish domestic sales in the face of acute competition from other fast food companies. It comes after it was forced into a humiliating about-turn over a 55 cent burger promotion in the US because of poor sales. There have also been growing signs of revolt among the franchisees who run most of its US restaurants.

That left McDonald's without a strategy against rival chains Burger King, a unit of Britain's Grand Metropolitan group, and Wendy's International, which have both been increasing their market share in the US.

Each of the company's geographical divisions will have a new president and management team. The presidents – four men and one woman – will have full responsibility and accountability for their divisions' performance.

Mr Edward Rensi, president and chief executive of McDonald's USA, was retiring "because of personal family commitments", McDonald's said. But he would be retained as a consultant on the development of a new production system.

Mr Rensi was effectively sidelined last year when Mr Jack Greenberg, previously chief financial officer, was appointed to the newly-created job of chairman of McDonald's USA. He will now become chief executive as well.

McDonald's said it was making three additions to its US management team, appointing Ms Claire Babrowski as senior vice president of restaurant systems, Mr Patrick Flynn as executive vice president of strategic planning, and Mr Raymond Mines as senior vice president of franchisee relations.

Mr Michael Quinlan, chairman and chief executive of McDonald's, said each of the five divisions, which range in number of restaurants from 2,210 to 2,820, would qualify as one of the 500 largest companies in the US in terms of sales.

Mr Greenberg said division presidents would have the authority to innovate to meet business objectives, but would have to maintain a uniform commitment to basic McDonald's principles.

"It should be emphasised that cutting costs is not an objective of this reorganisation. Improved performance is," Mr Greenberg said.

3Com and Siemens agree tie-up

By Louise Kehoe in San Francisco

3Com, one of the leading US manufacturers of computer networking equipment, has formed an extensive technology and marketing alliance with Siemens of Germany.

The deal reflects the increasing convergence between the data communications and telephone businesses.

The two companies will cross-license technologies and work together on "computer telephony" which links data networking technologies with voice telephone services.

The integration of telephony and computing communications has been anticipated by analysts of the high-tech industry for more than a decade. Until very recently, however, much of the focus was on integrating telephones with personal computers

3Com and Siemens are addressing the more fundamental issues of weaving together the separate networks and equipment that process telephone and data communications. Up to now, there has also been little overlap between the telecommunications equipment industry and the fast growing data networking equipment industry.

Now internet technologies are bringing the two types of networks together. Initially, 3Com and Siemens will address the applications of these technologies to private business "intranets", used by businesses for internal communications.

In a separate agreement the companies will also develop so-called "internet telephony", placing phone calls via the internet.

Mr Eric Benhamou, 3Com chairman and chief executive, said that the two companies would initially target companies' private networks because the outlook for the public networks is complicated by public policy issues such as how to charge for voice calls.

On private buiness networks it was possible to combine internal voice traffic with data communications, he said. This combination could potentially allow users to achieve significant cost savings.

3Com and Siemens hope to develop new applications by integrating voice and data communications. These are expected to include combined voice and data conferencing among office workers and the expansion of "telecommuting" by home office workers.

Sumitomo Trust in link-up with Gartmore over Europe

By Gwen Robinson in Tokyo

Sumitomo Trust and Banking, one of Japan's leading trust banks, signed an agreement yesterday with Gartmore Investment Japan to strengthen its asset management operations in Europe.

The move is the latest tie-up between a Japanese financial institution and a foreign counterpart before the government's "big bang" financial reforms. It is also a sign of intensifying competition between trust banks, life assurers and other asset managers for the lucrative and growing Japanese pension fund market.

Under the deal, Gartmore's Japanese unit will provide Sumitomo Trust with investment advice on European markets. Sumitomo Trust manages about Y11,000bn ($96.4bn) of pension funds and other assets, of which about Y800bn is invested in European capital markets.

Mr Brian Waterhouse, financial analyst with HSBC James Capel in Tokyo, said Sumitomo Trust's moves to gain foreign investment expertise were likely to accelerate similar deals by other trust banks and Japanese asset management groups. "With the upcoming relaxation of foreign exchange controls and other regulations, Japanese groups really need the experience. They can either buy it, or hire it – and that's what Sumitomo Trust has done."

Gartmore, which ranks among the top 10 European asset management groups, manages about $74bn worth of funds. It has shown interest in expanding into a deregulated Japanese market but neither side in yesterday's deal indicated if the arrangement will lead to co-operation in Japan.

In another sign of growing competition in Japan's financial sector, Sumitomo Bank, one of Japan's leading commercial banks, confirmed plans to list on the New York Stock Exchange within three years.

It would become the second Japanese bank to list in New York. The listing plan reflects Sumitomo Bank's recent progress in writing off bad loans, and is likely to be followed by other Japanese banks as they tackle their bad debts.

Mr David Threadgold, financial analyst at BZW Securities in Tokyo, said a New York listing was a "feather in the cap" for Japanese banks.

Brazil mobile phone deal

By Geoff Dyer in Brasília

A consortium led by BellSouth, the US telecommunications company, and Banco Safra, the Brazilian private sector bank, yesterday won a concession to operate cellular telephones in the Brazilian city of São Paulo with a bid of R$2.65bn ($2.47bn), more than four times the specified minimum price.

The auction gave a powerful fillip to the Brazilian government's plans to privatise the rest of the telecoms industry and underlined the strong interest from international companies in Brazilian telecoms.

"This shows that telecoms operators are willing to pay a huge premium in the most attractive areas," said Marcelo Mollica, analyst at Banco Icatu in Rio de Janeiro. He said the price per head of population was double the average paid at last year's cellular service auctions in the US.

The São Paulo concession is the second of 10 new regional concessions lasting 20 years to be auctioned to the private sector, after the sale last month of a concession in the centre-west of Brazil to a consortium led by Bell Canada.

The winning bid was more than R$1bn in excess of the next, from a consortium including AT&T and Globo, the Brazilian media group. Seven groups took part in the auction.

In a separate auction, a consortium including Vicunha, the Brazilian textiles group, Globo, Bradesco, the Brazilian bank, and Stet, the Italian telecoms operator, paid R$250m for the cellular concession in the north-eastern states of Bahia and Sergipe, R$20m more than the minimum price.

Mr Roberto Peon, president for Latin America at BellSouth, said that São Paulo was "one of the most important telecoms markets in the world in terms of potential growth" and that the density of the market was greater than in Los Angeles or New York. With a population of 17.5m, São Paulo is the largest city in South America.

Wells Fargo warns on takeover costs

By Richard Waters in New York

Wells Fargo, until recently the most admired bank in the US, suffered another dent to its reputation – and its share price – yesterday with a warning about the costs stemming from its hostile takeover of First Interstate.

The San Francisco-based bank blamed "one-time, unexpected" expenses resulting from the $10bn takeover for the problem. These would leave second-quarter earnings, which are due to be reported in full next Tuesday, about $1 a share below the $3.52 that Wall Street had been expecting, it added.

Concerns about Wells Fargo's problems in trying to merge First Interstate's operations with its own have hit the bank hard this year. Its shares, already down 13 per cent from their high point, fell another $15½, or 5.6 per cent, to $263¾ yesterday.

Until the First Interstate problems began to emerge, Wells Fargo had enjoyed a reputation as an effective acquirer of other banks and one of the best-run financial institutions in the US, with a level of profitability that made it the envy of rivals around the world.

Wall Street has grown concerned in recent weeks about the loss of First Interstate customers to rival banks as Wells Fargo has pushed ahead with plans to close many of the bank's branches in California.

This has already been reflected in a slow-down in revenue growth. Yesterday's news shifted attention to the costs resulting from the acquisition.

"They clearly bit off more than they bargained for," said Mr Raphael Soifer, a banking analyst at Brown Brothers Harriman in New York.

Having won First Interstate through a hostile bid, Wells Fargo had been unable to examine the bank's operations in advance and so had taken a risk with the acquisition, he added.

Wells Fargo blamed the latest costs on "the resolution of various operational and back-office issues" springing from the merger. It added that these related in part to "clearing accounts with other banks", but refused to provide any further details.

Despite the warning, banking analysts continue to expect the bank to meet its target of reducing the combined banks' annual costs by $800m by the end of this year.

A series of earlier announcements had already prompted concerns about the progress of the First Interstate merger and damaged the reputation of the management team led by Mr Paul Hazen, chairman.

"This is yet another non-recurring charge," said Mr Soifer. "Do they fully know themselves what is going on? That is the real question."

Alfa moves from scourge to scion

The Russian group's banking arm is presenting plans for a $100m eurobond issue

Mikhail Fridman: now more profitable to finance the oil or metals sectors, but this needs long-term money *Picture: The European*

Mr Mikhail Fridman, the 33-year-old president of Alfa Group, the powerful Russian conglomerate, started in business running a window-cleaning operation while a student at Moscow's Steel and Alloys Institute.

This week, the group's banking subsidiary, Alfa Bank, with assets of more than $1bn and a ranking among the country's top 15 banks, began an international roadshow to market a $100m eurobond.

It presented its plans in London yesterday while Mr Fridman was in east Asia to market it there.

Mr Fridman says he is still astonished by the speed of Russia's transformation and his own metamorphosis from capitalist scourge to scion. He represents the new class of entrepreneur that sprung up in the dying days of the Soviet Union as the country lumbered towards a market economy.

Reviled as *fartsovshchiki* (spivs) by Communist ideologues, these budding capitalists cut their teeth in market economics by importing consumer goods, exporting commodities and creating service companies.

"Ten years ago I never dreamed about commercial banking, or debts, or loans, or eurobonds. I never even dreamed it would be possible for me to go abroad to a western country. Never," he says. "But it is the fate of our generation to have to change our mentality all the time."

Like many other private Russian businesses, Alfa Group is a financial magpie, opportunistically picking at those markets which glitter most brightly. The group companies, with combined turnover of $2bn, trade oil, tea and sugar, run supermarket chains and food factories, speculate in the high-yielding Treasury bill market and auction fine art.

But Mr Fridman says it is now imperative for Alfa Bank – which was founded in 1991 to finance the rest of the group's activities – to establish its own identity. Its model for development is a European-style universal bank, which makes its money from retail deposits and corporate loans.

"Now is a very important time for our business community. Before 1997, it was impossible to invest money in the industrial sector. Interest rates were too high. It was too unprofitable, too risky," he says.

But thanks to Russia's successful economic stabilisation programme, which has cut inflation and interest rates to relatively low levels, it is becoming increasingly attractive to lend to Russia's stronger companies.

"For us it is now more profitable to finance the oil or metals production sectors, but for this type of financing you need long-term money," he says. "If we receive $100m from a three-year eurobond it will be possible to finance extremely interesting and profitable industrial projects."

Alfa Bank is not alone in making this calculation. SBS-Agro bank this week became the first Russian non-governmental institution to issue a eurobond, raising $200m at 425 basis points over Libor. SBS-Agro – formed after the Stolichny commercial bank acquired the state-owned Agroprombank – already controls a chain of 1,400 branches to attract retail deposits, and is expanding its corporate loan portfolio.

Oneximbank, a highly influential financial industrial group, is also seeking to raise up to $200m from a eurobond issue to finance its colossal industrial assets, such as Norilsk Nickel, the giant metals producer, and Sidanco, the far eastern oil group.

Mr Pyotr Aven, president of Alfa Bank and a former minister of foreign economic relations, believes his bank's technological skills and operational independence will provide a competitive edge in winning new business.

But he concedes that one of the bank's biggest weaknesses is its relatively small balance sheet and a potential mismatch between its assets and liabilities.

"We are trying to provide credits on a longer-term basis but our major problem is that we have short-term deposits," he says.

Alfa Bank has already started to lengthen the maturity of its borrowings, having raised a $40m syndicated loan. The eurobond issue is part of a broader plan to raise $300m of longer-term finance abroad.

Mr Aven says the bank is also expanding its network of 20 retail branches to suck up deposits from Russia's blossoming middle class, in an effort to improve financial stability.

But the myriad risks still enveloping Russian banks are highlighted by the international credit-rating agencies. Standard & Poor's, for example, has assigned Alfa Bank a single B rating.

With limited capital, an uncertain economic environment, high counter-party risks and large bad-debt portfolios, Russian banks remain inherently volatile financial institutions. Expanding retail branch networks through organic growth or regional acquisition entails considerable cost and risk. Making corporate loans in Russia's opaque business and legal climate is also fraught with dangers.

But perhaps the greatest challenge confronting Russian banks is to transform themselves from quick-witted trading organisations into disciplined financial intermediaries capable of analysing and managing long-term lending risks.

Mr Fridman acknowledges the point. "We have a very good team at the bank which is young and ambitious, educated and with experience in western business techniques," he says. "But it is now our challenge to change the mentality of the bank all over again."

John Thornhill

Row over Word Cup TV deal escalates

By Jimmy Burns in London and Frederick Stüdemann in Berlin

Fifa, football's world governing body, has stepped up its campaign against a planned partnership between Kirch, the German media group, and Prisma, the Switzerland-based marketing company, to market TV rights to the 2002 and 2006 World Cups.

It has threatened legal action after warning Prisma that the deal could be in breach of contracts worth SFr2.8bn ($1.9bn).

The dispute centres on a deal between Fifa and Kirch involving ISL, another Swiss sports marketing group.

Mr Joseph Blatter, Fifa general secretary, yesterday wrote to Mr Stephen Dixon, Prisma managing director, warning: "Fifa's partners in this matter are Kirch and Sporis [ISL], and not Prisma, and your company is not entitled to refer to such a business plan to which it is not a party.

"Fifa reserves the right to take measures against your company in connection with statements of this nature and regret to say that this incident may have an unfavourable effect on any possible future co-operation."

Kirch yesterday sought to defuse the row by issuing a statement from Prisma that its appointment was "subject to approval by Fifa".

Fifa said last night that any involvement of a third party in the TV contracts could not go ahead if one of the existing two parties objected to it. "It has to be mutually agreed by Kirch and ISL," Fifa said.

ISL said last night: "Sporis [ISL] is the lead licensee for the TV rights of the 2002 and 2006 and we have an agreement with Kirch not to allow a competitor of either party into the deal. Prisma is a competitor." Prisma was set up recently by former ISL executives.

SGB reduces Union Minière stake

By Neil Buckley in Brussels

Société Générale de Belgique, Belgium's largest holding company, moved to cut its industrial interests further yesterday with plans to sell half its stake in Union Minière, the non-ferrous metals group.

SGB expects to raise about BFr20bn ($551m) by selling 6m shares, or 24 per cent, of Union Minière to a banking syndicate which will sell the shares to Belgian and international institutional investors. It will make a net gain of about BFr12bn from the deal.

The sale is the first significant move from SGB since its French parent, Compagnie de Suez, merged with Lyonnaise des Eaux, the French utilities group.

However, analysts did not see the hand of Suez-Lyonnaise behind the move: they had expected a reduction in SGB's stake in Union Minière for some time.

The sale, which will leave SGB with 25 per cent of the metals group, further reduces its exposure to cyclical industries, and increases its focus on financial services and utility businesses.

The growth potential of those businesses was demonstrated yesterday as Générale de Banque, Belgium's biggest bank and SGB's largest financial asset, said it would buy at least 51 per cent of Harbor Capital Management, the Boston-based asset management group

The bank said the move would give it an international fund management presence for the first time, and it had a seven-year option to raise its stake to 75 per cent of Harbor, which manages $5bn of funds.

SGB said the decision to reduce its Union Minière stake did not conflict with the statement by Viscount Etienne Davignon, chairman, at its annual meeting in May that SGB's portfolio was "balanced".

Mr Davignon told the meeting that SGB planned to remain the largest shareholder in the metals group, but was free to increase or reduce its stake.

SGB added that UM wanted to increase the liquidity of its shares and attract new shareholders, following a sharp increase in market confidence in its prospects – thanks partly to a boom in the zinc market.

UM's shares gained some 20 per cent in June alone.

SGB backed UM's move since it enabled it to remain the biggest shareholder, while paying back some of the debt incurred last year when it spent BFr49bn on 25 per cent of Tractebel, the Belgian utility and industrial services group.

That move took its stake in Tractebel, which controls key stakes in Belgium's electricity and gas utilities, to 65 per cent.

But SGB's stake will be diluted to 50.3 per cent when Tractebel completes the merger with Powerfin, its part-owned subsidiary.

SBF plans equities exchanges link

By Andrew Jack in Paris

The French stock market may link with its Swiss and German counterparts as soon as next summer to provide joint trading and clearing links for equities.

Executives at the Société des Bourses Françaises plan to build common computer links and allow reciprocal membership by the brokerage firms on the three exchanges before the end of next year.

The move would give traders access on a single computer screen to the three stock markets, which between them represent half the market capitalisation on continental European exchanges.

Settlement systems would be harmonised in a second phase.

The discussions between the different organisations come as competition between exchanges intensifies ahead of the creation of the single European currency.

Executives believe financial institutions will increasingly want to invest by company sectors anywhere within the euro zone, rather than drawing distinctions between national markets.

As a result, investors will seek trading systems which allow them to carry out transactions simply and quickly across a number of different exchanges.

An ambitious attempt to integrate closely all the French and German financial markets failed last year, but discussion over more specialist co-operation between the equities exchanges in both countries has continued to flourish.

Germany has affiliated alongside the Netherlands and Belgium to the Nouveau Marché, launched in spring last year in Paris for fast-growing young companies.

A first indication of tighter co-operation between France, Germany and Switzerland came at the start of this week, when the three markets signed a letter of intent to develop a family of pan-European equity indices, to be launched by the end of January next year.

The French stock market has also been preparing other initiatives in the build-up to monetary union.

After September next year, its NSC quotation system will be used for after-hours trading on the Matif, the French financial futures and derivatives market. All transactions will be carried out in Euros from January 4 1999.

From today, control over all equities derivatives will be shifted from the Matif to the Monep, a wholly-owned subsidiary of the SBF, which deals with options but has not until now handled futures in the CAC-40, the leading index of quoted French companies.

Eurotunnel investors set to pass plan

By Andrew Jack in Paris and Tracy Corrigan in New York

Shareholders in Eurotunnel, the troubled operator of the Channel tunnel rail link, are set to approve the company's £8.5bn ($14.37bn) financial restructuring in Paris this afternoon.

Only Adacte, the most extreme of the three groups representing investors that had threatened to vote against the plan, maintained its position yesterday following significant developments in the last few days.

The main uncertainty is whether Eurotunnel can achieve a quorum of 230m shares – or one-quarter of the total share capital – to make the vote valid.

If the company fails to reach this number, it is obliged to try again within the next two months. If that meeting also failed to obtain a quorum, Mr Patrick Ponsolle, the chairman, has hinted he would resign.

Shareholders representing 19 per cent of Eurotunnel's capital turned up in Paris for its annual general meeting last year, at which investors critical of the company amassed more than the 25 per cent minority blocking vote necessary to prevent the restructuring plan from going through.

A higher proportion is likely to attend this year, given the importance of the plan to the survival of the company, and given Eurotunnel's intensive campaign of advertising and telephone contact with shareholders.

Both Eurotunnel's share price and the value of its debt on the secondary market has risen significantly in the last few days following news that Northern Cross Investments, a Bermuda-based fund which held 37m shares, had switched views and agreed to support the restructuring.

The French and British governments agreed last week an extension of at least 34 years to the operating concession, to beyond its 2052 expiry date.

They also indicated they would not stop the company's bankers exercising their right of "substitution" – which would strip all value from the company – if shareholders did not approve the restructuring.

Eurotunnel's 174 banks have unanimously to approve the package for the deal to go ahead, and they have been asked to indicated their views by the end of September.

It emerged yesterday that Paris financial investigators had held meetings with several financial institutions in New York about dealings in Eurotunnel shares, as part of an inquiry into allegations of insider trading in relation to the company's rights issue in 1994.

Soros Fund Management confirmed that officials had spoken with two of the firm's executives and stressed that its trading in Eurotunnel's shares had been "completely appropriate and legal".

INTERNATIONAL NEWS DIGEST

Dow Jones falls 33% in quarter

Dow Jones, the US business information group, recorded an expected 33 per cent fall in second-quarter earnings yesterday as its troubled screen-based information division barely broke even for the period. However, Mr Peter Kann, chairman and chief executive, said the plan to turn round the Dow Jones Markets service, formerly known as Telerate, "remains right on track." The expensive overhaul has attracted criticism from a number of shareholders this year, though this has not deflected the company from a three-year investment plan.

Operating income from financial information services, which includes Dow Jones Markets, was $169,000, compared with $40.3m the year before, on revenues that were down 4.5 per cent at $233m. The figures were buttressed, however, by the continuing strength of the publishing operations. This was led by the Wall Street Journal, which recorded an 8.3 per cent increase in advertising lineage in the period, reflecting the continuing strength of the US financial markets. Overall, the business publishing division saw operating income rise more than half to $68.1m, on revenues that were up 6 per cent at $330m. Overall, Dow Jones reported after-tax profits of $60.3m, or 63 cents a share, compared with $89.7m, or 92 cents, the year before. *Richard Waters, New York*

■ COMPUTER CHIPMAKERS

UMC recruits ex-chief of rival

United Microelectronics (UMC), Taiwan's second-biggest chipmaker, has hired Mr Donald Brooks, who until April was president of Taiwan Semiconductor. The appointment is UMC's biggest assault yet on Taiwan Semiconductor's position as the world's leading foundry chipmaker.

"We are fortunate to have someone of Mr Brooks's experience and background in the electronics industry actively involved in directing UMC's future," said Mr Robert Tsao, UMC chairman. Mr Brooks will be head of UMC's international operations, responsible mainly for overseeing the group's relations with the US semiconductor industry, including its US venture capital operations. He will also hold a seat on the board.

The appointment turns up the heat in the industrial rivalry between Taiwan Semiconductor, which pioneered the foundry business in the late-1980s, and UMC, which about two years ago began luring away customers as well as adopting the concept after the failure of its efforts to develop and market microprocessors. A foundry chipmaker makes chips solely on contract and does not design its own products. In April, Taiwan Semiconductor announced a T$400bn (US$14.3bn) investment to build advanced wafer factories in a new high-tech park in southern Tainan. UMC last month unveiled a T$500bn wafer plant development scheme, also in Tainan science park. *Laura Tyson, Taipei*

■ MEDIA

News Limited sells PMP stake

News Limited, the Australian division of Mr Rupert Murdoch's News Corp group, has sold its 40 per cent interest in Australia's second largest magazine publisher, PMP Communications. Mr Lachlan Murdoch, executive chairman of News Limited, has so far declined to name the buyer but the buyer has to notify the stock exchange within two days. Brokers said the sale of the PMP stake was part of News Corp's global strategy to sell non-core assets to fund expansion into satellite and television services. *John Arbouw, Sydney*

■ SWEDISH EQUITIES

Assa Abloy to join O-list

Assa Abloy, the Swedish lock and security device manufacturer, said yesterday it had decided to apply for a listing on the Stockholm Stock Exchange unofficial O-list from July 21 1997. Assa Abloy will thus become the 12th company to leave the main list since the end of May following a change in tax laws. Others include Hennes & Mauritz, the fashion retailer, Marieberg, the media group and the construction company Lundbergs.

Mr Göran Jansson, chief financial officer, said a move was one of two questions that came up at the company's annual general meeting as shareholders were concerned about their negative cash flow.

"We have discussed it with our major international shareholders and none of them objected to a move," Mr Jansson said, adding that the move to a list with more favourable tax charge was therefore natural.

According to the new rules, which are meant to apply from January 1 1998, shareholders will pay wealth tax on 100 per cent of the share value compared with 75 per cent previously, but only if the company was registered on the A-list before January 1 1992. There is no wealth tax at all for shares listed on either the unofficial O-list or the over-the-counter OTC-list. *AP-DJ, Stockholm*

■ RUSSIA

Moscow investment banks merge

Intensifying competition in Russia's corporate finance market has prompted the merger of two local operators, MFK and Renaissance Capital, to form Moscow's biggest investment bank. The merger comes as big international banks such as J.P. Morgan, Merrill Lynch, and Goldman Sachs, prepare to open offices in Moscow over the next few months. Some established players, including Credit Suisse, Salomon Brothers, and Deutsche Morgan Grenfell, are also seeking to expand their activities.

Mr Boris Jordan, who founded Renaissance Capital two years ago and will become chief executive of the merged bank, said the deal would fuse western banking standards with Russian skills and contacts. The combined bank, to be known as MFK-Renaissance, will employ 600 staff, have shareholders' funds of $400m and total assets of more than $2bn. The equity will be split equally between the two bank's existing shareholders. *John Thornhill, Moscow*

■ CREDIT CARDS

MasterCard opens Shanhai office

MasterCard International said it had opened an office in Shanghai and signed an agreement with Shanghai's Golden Card Project to add 1,000 automated teller machines to its network. The company said that China was MasterCard's second largest market with 15m cards in circulation and a transaction volume of $75bn last year. *AFX-Asia, Shanghai*

■ DEFENCE ELECTRONICS

Go-ahead for STN Atlas sale

The German cartel office yesterday approved the sale of STN Atlas Elektronik, a leading defence electronics company which was part of the bankrupt Bremer Vulkan shipbuilding group, to a consortium made up of British Aerospace, Rheinmetall, a defence, automotive and office supplies conglomerate, and the utility Badenwerk.

The cartel office cleared the DM550m ($313m) sale after Rheinmetall, which has management control of the consortium, agreed to reorganise its armoured vehicles business which will now be placed in a new company to be called Elektonische Fahrzeugsysteme (EFS) in which British Aerospace and two of Rheinmetall's domestic competitors, Krauss Maffei and Wegmann, will each hold stakes of 25 per cent. *Frederick Stüdemann, Berlin*

Pulp industry shake-out gathers pace

By Bernard Simon in Toronto

The reshaping of North America's pulp and paper industry gathered momentum yesterday when Repap, the debt-burdened Canadian group, announced it was selling its Wisconsin coated-paper mill to Consolidated Papers, of the US, for US$674m, including US$433m of debt.

As part of its reshuffle, Repap agreed to sell its Manitoba packaging papers and lumber operations to Tolko Industries of British Columbia.

The deal follows Tuesday's announcement by International Paper, of the US, the world's biggest producer, of the first stages of a long-awaited shake-up, including plans to cut 9,000 jobs – 10 per cent of its workforce – and sell $1bn in assets over the next year.

These deals are neither the first nor the last in the forestry sector's most profound upheaval in decades. Earlier this year, Canada's Abitibi-Price and Stone-Consolidated joined forces to create Abitibi-Consolidated, the world's biggest newsprint producer. James River and Fort Howard, two medium-sized US paper groups, are awaiting anti-trust clearance to proceed with a $3.6bn merger.

The spate of acquisitions, mergers and restructurings reflects pressures on several fronts. North American and European producers have faced mounting competition from low-cost pulp and paper mills overseas, mainly in south-east Asia and Latin America.

High labour costs, stringent environmental controls and mature markets have discouraged construction of new mills in North America, with the notable exception of recycled container board.

A price slump in 1995 and 1996 exposed the industry's vulnerabilities after two years of increases. Shareholders have chafed at mediocre returns on capital.

Ms Frances Loo, analyst at SBC Warburg in New York, says attitudes have begun to change in an industry renowned for conservatism and for producers' unswerving commitment to market share. Producers have faced mounting criticism that they have brought the industry's famed but disruptive boom-and-bust cycles on themselves. For years, they responded to price increases with a torrent of new capacity, thereby exacerbating the subsequent downturn.

Now a new generation has taken the helm at several big producers, including IP and Connecticut-based Champion International. "There's a recognition that things do have to change," said Ms Loo. Mr Jim McNutt, of Jaakko Poyry, the Helsinki-based consultancy, predicted that "the terrain will have to move towards fewer companies holding bigger portfolios of more related products."

IP's plans include disposing of an imaging business and multi-wall packaging paper operations. Mr John Dillon, IP chairman, said this week's moves "underscore the sense of urgency" required for each IP business to achieve a 12 per cent return on investment over the course of a business cycle and maintain market leadership.

Similarly, Consolidated Papers' purchase of the Repap mill reinforces its position as North America's leading producer of coated printing paper.

Other companies toying with a remake are expected to seek similar benefits. Mr McNutt predicts the industry will eventually coalesce around a handful of big companies and a number of small, specialised producers.

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Chinatrust blazes trail for Taiwan banks

Launch of tie group's $400m Asia fund anticipates the end of restrictions on investment banking

Taiwan's financil liberalisation is moving too slowly for Chinatrust Commercial Bak. So the country's biggst privately run bank has ecided to take matters into its own hands.

Finance ministry regulations still ban commercial banks from entering investment banking. Undeterred, Chinatrust this week launched a US$400m fund, Crimson Asia Capitl Holdings, to invest in Asian countries. When the government eventually lifts a ban on universal banking, the fund will merge with the bank to become its investment banking arm.

Chinatrust does not confine its ambitions to Taiwan's domestic market. Mr Jeffrey Koo, chairman of the family bank, dreams of making Chinatrut one of the world's top 100 banks.

The influential Koo family controls the bank and has close links with Taiwan's ruling Nationalist party. Mr Koo's eldest son, Jeffrey Jr, holds a senior pst in the bank and is leding the investment banking initiative.

Sheer ambition is not the only motive behnd Chinatrust's thinly-viled foray into investmen banking. Perhaps more cucial is the fear that, once Taiwan's financial markes are fully liberalised, with the island state's expected entry to the World Trade Organisation, powerful international banks will gobble up business from neophyte Taiwanese banks.

This is not the first time Chinatrust has chafed at the regulatory leash and blazed a trail for its Taiwanese peers. After a decades-long freeze on new banking licenses, Chinatrust helped usher in a new era in Taiwan's domestic banking industry in the early 1990s. In 1991, trust companies – of which Chinatrust was one – were allowed to convert into commercial banks, and Chinatrust was the first to take the opportunity.

During the same period, 16 new banking licences were granted, most of which were snapped up by the island's leading business groups.

These changes, along with the growing presence of foreign banks, have led to unprecedented competition and increasing sophistication in Taiwan's banking sector. Until then, Taiwan's banking system had been controlled by conservative state-owned banks, which were run as civil service bureaucracies and used antiquated lending practices.

"Taiwan's banking industry has been facing great challenges during the last few years, due to rapid changes in the industry," Mr Koo said in an interview.

As well as bringing a phalanx of new entrants both domestic and foreign, capital market reforms have reduced companies' traditional dependence on bank financing – leading to intense competition and a scramble for the custom of the long neglected individual consumer.

Mr Koo says: "People now raise funds from the capital markets, the money markets and even overseas. So they no longer rely on banks."

In what he describes as a "painstaking" process, the bank has been "re-engineered" to meet the changing needs of its customers. "We have changed to a customer-orientated, one-stop framework, so the customer doesn't have to move around from one department to another for different types of banking business," he says.

This has perhaps been easier to achieve than changing staff attitudes, especially among banks plagued by scarce expertise and high staff turnover. "The new banks are scouting for experienced staff from people like us. We have to create a service culture. We have to cultivate competent staff and persuade them to stay on by offering better packages," Mr Koo says.

Chinatrust was quick to spot opportunities in the fledgling consumer banking sector, pioneering credit cards in Taiwan a few years ago. It beat the foreign competition to capture a 35 per cent market share and become the country's biggest issuer.

The number of its branches in Taiwan has grown to 38, boosting demand-deposits, which the former trust was banned from collecting, to 26 per cent of total deposits. Funding costs fell and profits rose, but still failed the 36 per cent target.

Overseas expansion is key to Chinatrust's strategy, which is to become the pre-eminent bank of the overseas Chinese. Mr Koo says the bank's motto is "Wherever you spot Chinese communities you will see Chinatrust."

In the US, Chinatrust has received regulatory approval to operate across states. In addition to 21 branches in California and New York, the bank will expand into other states where there are Chinese communities.

Chinatrust has a presence in markets across Asia and recently opened a branch in Hong Kong to provide services to its many Taiwanese clients in China – it is banned by the Taiwanese government from doing business on the mainland itself.

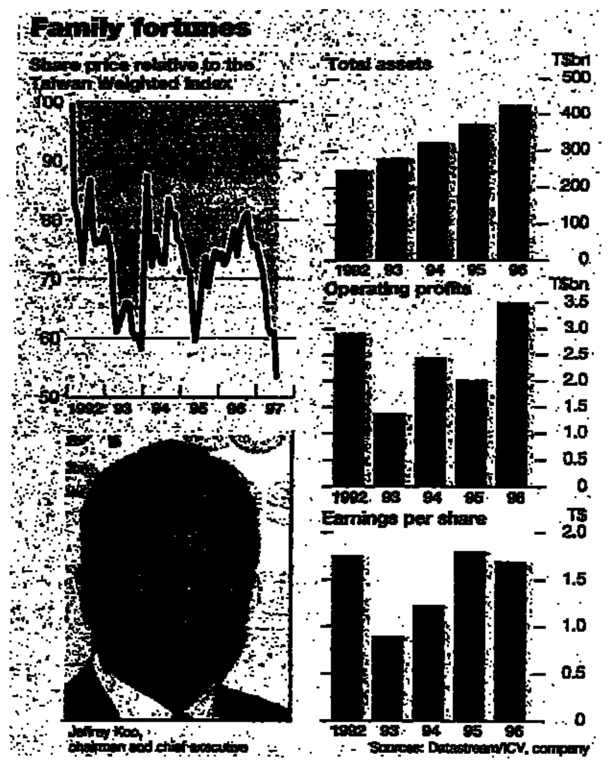
Earlier this year, it set up an investment bank in Hong Kong, luring 20 staff from Morgan Stanley. Called KG Investments, the new concern is run by Mr Koo's second son, Angelo, and has backing from mainland Chinese interests including Mr Wang Jun, a leading Chinese businessman.

Although Chinatrust appears to be going from strength to strength, its share performance in the last two years has been lacklustre.

Mr Stephen Wang of HSBC James Capel says: "In fundamental terms this is a very good bank. As an investment the downside risk is limited. But the share price tends to underperform relative to other financial shares."

Laura Tyson

Family fortunes



Jeffrey Koo, chairman and chief executive

Sources: Datastream/ICV, company

Angang seeks HK$1.75bn

By Louise Lucas in Hong Kong

Angang New Steel, China's latest state-owned enterprise seeking an ovrseas listing, aims to raise up to HK$1.75bn (US226m) on the Hong Kong stock market this month.

The company will use the proceeds to expand production through the purchase of a new smelting plant and to upgrade products. It also plans to buy into a German joint venture to make galvanised steel products.

Angang's parent is China's biggest steel plant, but only the more profitable downstream operations have been hived off into the listed vehicle.

However, the company and ING Barings, its sponsor, may have a tough time wooing investors.

Maanshan Iron and Steel, the last mainland steel plant to list in Hong Kong, has been hit by falling product prices and so-called triangular debt, whereby companies cannot honour payments because they are awaiting payments from a third party.

Nevertheless, Jardine Fleming Securities sees a brighter outlook for Angang New Steel. Local steel prices have bottomed out – after falling continuously since mid-1993 – and the company's quality products and price advantage give it an edge over domestic competitors and importers.

The brokerage is forecasting net profits this year of Yn479m (US$57.77m), up from Yn407m last year.

The shares are expected to be priced at between HK$1.61 and HK$1.97, and 890m are to be issued.

Motorola result beats forecasts

By Louise Kehoe in San Francisco and agencies

Higher-than-forecast growth during the second quarter at Motorola, the US semiconductor and communications equipment group, has led some analysts to raise their 1997 earnings estimates.

However, others said they were concerned by growing costs for the Iridium satellite venture and a backlog of orders in the cellular phones infrastructure division.

But the optimists appeared to prevail in early trading yesterday as Motorola shares moved to an all-time high of $86¾ – a rise of some 4 per cent – before slipping back.

Late on Tuesday Motorola reported operating income per share at 62 cents, well above Wall Street projections of 56 cents and up from last year's second-quarter figure of 53 cents.

The results set a positive tone for the US high technology sector, where many of the largest companies are due to report results over the next two weeks.

However, special charges and company-specific issues dominated the report, providing few clues to the general outlook for the high technology sector.

Motorola's decision, announced last week, to withdraw from the market for dynamic random access memory chips resulted in a pre-tax charge of $170m, or 18 cents a share.

This reduced net income for the quarter to $268m, or 44 cents, compared with $326m, or 54 cents, in the same period last year. Sales for the quarter rose 10 per cent to $7.5bn, against $6.8bn a year ago.

The decision was part of a continuing "review of development programmes that have not lived up to their promise" said Mr Christopher Galvin, chief executive.

There may be further cuts, which could lead to additional charges against earnings in the second half of the year, Mr Galvin added. He did not, however, elaborate on which segments might be affected.

Shares in Remy hit by 70% decline

By Samer Iskandar in Paris

Shares in Rémy Cointreau plunged more than 12 per cent yesterday after the French wines and spirits group reported a sharp fall in profits for the year to March 31.

A drop of more than 10 per cent by mid-afternoon triggered an automatic 15-minute suspension of the shares. But the fall continued when trading resumed.

The shares ended the day at FFr130.5; they opened at FFr148.9.

The market was reacting to a fall in annual net profits of 70 per cent from FFr120m to FFr36m ($6.07m). The company blamed the decline on a FFr277m restructuring provision partly offset by exceptional profits from asset sales and capital gains on financial products amounting to FFr176m.

Operating profits were up 3.5 per cent at FFr558m.

"The satisfactory performance of the Rémy Martin [cognac] brand in the US and China did not compensate for falling sales in Japan and Taiwan," the company said.

Sales of the Krug, Charles Heidsieck, and Piper-Heidsieck champagne brands rose 10 per cent by volume. But their contribution to operating profit was up 43 per cent as a result of improving margins.

The dollar's appreciation against the franc did not translate into higher earnings from US sales because Rémy Cointreau had hedged its foreign exchange exposure in anticipation of a stable – or even falling – exchange rate.

"Given the group's foreign exchange position, Rémy Cointreau will benefit only partly from the dollar's recent rise," it said.

The board of directors will recommend, at the annual meeting on August 26, that the dividend be maintained at FFr4.60 a share.

The company said turnover in the quarter to the end of June had risen 13.4 per cent to FFr1.45bn.

Detroit Diesel unveils $320m acquisition

By Richard Waters in New York

Detroit Diesel took a step towards reducing its dependence on the highly cyclical heavy truck business yesterday with the announcement that it would pay $320m in cash and stock for Outboard Marine, a troubled manufacturer of engines and power boats.

In an unusual move, the company's offer, which has been accepted, is worth some 18 per cent less than the price at which Outboard's shares closed on Tuesday, an indication that Outboard's finances are in worse shape than Wall Street had thought.

The US diesel engine manufacturer registered a considerable turnround in the years after Mr Roger Penske, a former racing driver, bought the struggling operation from General Motors in the late 1980s.

However, since Detroit Diesel went public in 1993, its performance has been erratic, owing in large part to a decline in the market for heavy-duty diesel engines last year.

By buying Outboard, whose engine brands include Evinrude and Johnson, the company would add about $1.1bn of annual revenues, taking the total to $3.2bn. That would greatly dilute its reliance on heavy-duty engines, which accounted for about $750m last year.

However, Mr Penske will have to repeat his earlier efforts if he is to make the Outboard acquisition a success. The company, which is also the second-largest maker of power boats in the US, has fallen into loss and earlier this year suspended its dividend.

Weak demand for recreational boats in the spring and summer seasons in the US has left its shares flagging after a long period of underperformance. The company has also faced the need to raise extra cash to develop new products and complete a restructuring.

Detroit Diesel said it would pay $16 a share in cash for 67 per cent of the company, amounting to some $215m. It would then use cash and 4m new shares to acquire the balance. It will also assume $180m of Outboard's debt, taking the total enterprise value to $500m.

Outboard's stock, which closed on Tuesday at $19¼, fell to 15\frac{11}{16}$ on the news. Detroit Diesel's shares rose $2⅛ to $25⅞.

INTERNATIONAL NEWS DIGEST

CGIP lifts Cap Gemini stake

CGIP, the French holding company, said last night it would increase its stake in Cap Gemini from 20 per cent to 30 per cent, strengthening its role as the computer consultancy's largest investor. The decision follows the sale by Daimler-Benz, the German motor and industrial group, of its 24 per cent stake in Cap Gemini at the end of last month. The move will cost CGIP FFr1.9bn ($321m).

CGIP has considerably modified its investment portfolio in the last few years, and now holds a 20 per cent stake in Valéo, the car components business, 10 per cent of Crown Cork Seal and one-third of Biomérieux Alliance, as well as a number of wholly-owned subsidiaries. It has held a stake in Cap Gemini for 15 years. Under a deal negotiated at the start of last year, CGIP had right of first refusal for acquiring Daimler-Benz's shares.

CGIP's investment stops short of acquiring the German group's entire stake, which would have pushed its ownership above 33 per cent and forced it under French stock market rules to make a full bid for Cap Gemini. Mr Serge Kampf, founder and chairman of Cap Gemini and who holds a 17 per cent stake with a group of fellow directors, had indicated his full support for CGIP's increased role. The directors prefer that their company remain quoted rather than becoming a full subsidiary. Cap Gemini indicated recently that it was considering a range of acquisitions in the US and Germany following Daimler-Benz's decision to unwind its six-year strategic stake in the group.

Andrew Jack, Paris

■ US CAR PARTS

Dana, Eaton swap units

Dana and Eaton, two of the biggest US car parts companies, agreed to swap some businesses which generate total revenues of $800m, continuing a rationalisation in the industry sparked by changes in buying practices among carmakers. Dana said it would pay $287m for Eaton's axle and brake operations, which have sales of more than $600m and employ 3,400 people. Eaton will pay $180m for Dana's clutch business, which has sales of $200m and employs 675 people.

Both companies said they had been prompted by the demand from carmakers for suppliers which can build complete vehicle systems, rather than individual components. Dana and Eaton also said they had signed a marketing agreement to sell jointly drivetrain systems, which combine everything from a vehicle's transmission to its axles and brakes.

Richard Waters, New York

■ ACQUISITION

Linde expands in UK

Linde, the German industrial group, is stepping up its expansion into the UK with the acquisition of Radford Retail Systems, a leading provider of fridges and freezers for supermarkets.

Linde said the purchase of the UK company, from Wagon Industrial Holdings for an undisclosed sum, would strengthen its position in the European market for industrial fridge and freezers. Last year, Linde's cold storage technology division had sales of DM1.1bn ($626m). Radford Retail Systems has about 930 employees and last year had sales of about £80.5m ($47.6m).

Graham Bowley, Frankfurt

■ BROADCASTING

Hungary awards TV franchises

The Hungarian broadcasting authorities yesterday signed 10-year concessions to create the country's first national commercial television channels with consortia led by CLT-Ufa, Europe's largest independent broadcaster, and Scandinavian Broadcasting System, which is 22.8 per cent owned by Walt Disney.

The signing went ahead in spite of the legal action launched this week by MKTV, the consortium led by Central European Media Enterprises (CME), which lost last week's fiercely contested tender battle.

The initial court hearing is expected to be held next Wednesday. MKTV is claiming that the award of the concessions to the CLT-Ufa and SBS consortia is illegal and invalid because of breaches in the tendering process committed by ORTT, the Hungarian national radio and television commission. M-RTL, the consortium led by CLT-Ufa, yesterday brushed aside the legal challenge and said its new channel, RTL Klub, would start broadcasting before the end of the year.

Kevin Done, East Europe Correspondent

■ FRANCE

US sales help lift SEB

Strong growth in US sales helped SEB, the French kitchen appliances group, increase turnover 17 per cent to FFr5.28bn ($891m) in the first half, compared with the same period last year.

Sales slipped 3 per cent to FFr2.86bn in the European Union and 4 per cent to FFr1.331bn in France. However, these falls were more than compensated for by an 85 per cent rise in sales in North America, to FFr1.14bn. Other international sales rose 38 per cent to FFr1.13bn.

Samer Iskandar, Paris

Government to climb down on Fids

By David Wighton and Roger Taylor

The government will this week announce a climbdown over its proposed abolition of foreign income dividends (Fids) following an outcry from some of Britain's biggest businesses.

The move, which could come as early as today, will mean that companies with high levels of foreign income will continue to enjoy the tax advantages offered by Fids.

Following the Budget announcement that Fids were to be axed, some of the UK's leading industrialists warned Mr Gordon Brown, the chancellor, that it could prompt some highly international companies to relocate overseas.

Rio Tinto said it might consider moving off-shore while Lasmo, the oil exploration group, said it would turn UK multinationals into sitting targets for foreign buyers.

The Treasury has been examining ways of enabling companies with high foreign earnings to continue to pay Fids without creating a new tax loophole.

The preferred solution, which could be announced in time for today's second reading of the finance bill, is to allow Fids to be paid by companies whose proportion of foreign income is over a certain threshold.

Fids have become increasingly popular following the budget with EMI Group, Allied Domecq, and Tate & Lyle all announcing yesterday that they would pay them. For Tate & Lyle and EMI this is the first time.

Fids were introduced by Norman Lamont in 1993 to prevent the double taxation of dividends. They allow companies to avoid paying UK advance corporation tax on distributed foreign earnings which have already been taxed abroad.

EMI, which makes about 70 per cent of its profits outside the UK, said it had decided to take advantage of the two-year window offered by last week's Budget. It expected to save up to £23.5m in tax. The company has not used Fids in the past because the tax credit given to pension funds on normal dividends made them more attractive. However, the abolition of the tax credit has made Fids more attractive.

Allied Domecq, which earns more than half its profits outside the UK, said it had decided to pay its interim dividend as a Fid after the abolition of ACT in the budget and hoped to save £25m in tax as a result.

Tate & Lyle, which makes 75 per cent of its profits abroad, said it had decided in May to start using Fids to distribute earnings. The move should save it £7.4m in tax on its interim dividend.

The Inland Revenue said it expected to to lose some revenue as a result of companies bringing forward distributions and making use of Fids to beat the April 1999 deadline. It has forecast a loss of £200m in the tax year to April 2000.

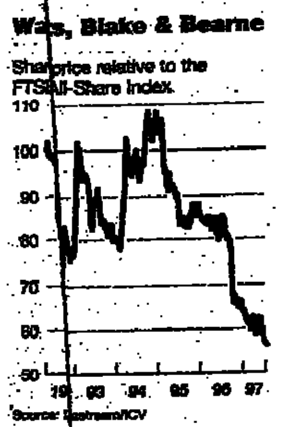
Accountants suggested that some companies may decide to make special distributions of overseas earnings before Fids are banned.

The abolition of Fids has been met by strong objections from many businesses which argue they will have to pay tax twice on overseas' earnings paid as dividends.

LEX COMMENT

Takeover rules

Here is a curious tale involving a Devon clay supplier, a private Belgian silica sand producer and a loophole in Britain's Takeover Code. The oddity, in brief, is that having failed to secure full control of the clay business – Watts Blake Bearne – in 1993, Belgium's Sibelco nevertheless slowly increased its stake and recently announced it had crossed the 50 per cent threshold. How? The explanation lies in the Takeover Code's "creeper provision" – a rule allowing the holder of a big stake in a company to buy a further 1 per cent of the shares each year without making a full offer.



In the WBB case, this is perhaps not a disaster. Sibelco did have to make its offer in 1993 and being left with a 46.8 per cent stake arguably had effective control already.

Getting past 50 per cent probably makes little practical difference. Moreover, under the stock exchange's present rules the majority of WBB directors must still be independent of Sibelco.

Suppose, however, that the stock exchange were to press ahead with its misguided plan to drop this requirement. This would greatly increase the chances of taking effective control of a company by building a substantial minority stake and using it to pack the board, without making a proper offer. And the creeper provision makes it easier to do so. For all its well-intentioned historical purpose of giving big shareholders some day-to-day trading flexibility, the provision would really be better abolished.

John Clare

Dixons enjoys windfall shares fillip

By Peggy Hollinger

Dixons yesterday boosted a flagging retail sector with further evidence that consumers are spending the estimated £30bn ($50.7bn) in windfall gains from conversion of building societies into banks.

The UK's biggest electrical goods retailer, announcing a 41 per cent jump in pre-tax profits before exceptionals to £190.2m, revealed far stronger than expected current trading.

Sales in the first nine weeks of the year were running 17 per cent ahead, excluding new space, the group said.

Mr John Clare, chief executive, put some of the sharp sales increase down to the effects of the windfall gains, which have averaged between £1,500 and £2,000 for 15m people in the UK. "The day the cheque arrives on the doormat, our sales go up," he said.

Retail shares moved ahead strongly on the back of his comments, with Kingfisher, Marks and Spencer, Next and Thorn all rising by between 3 and 5 per cent.

Dixons shares led the rally with a 9 per cent jump to 492½p. Analysts said they hoped this would be the beginning of a recovery for retail shares which had underperformed the market by more than 20 per cent since the middle of last year.

"It is very significant," said Mr John Richards, retail analyst at NatWest Securities. "Here is a retailer saying the windfall is being spent. It will increasingly become evident on the high street."

Mr Clare said he expected the group would have "another good year" and the company plans to create some 3,000 full and part-time jobs as a result. Analysts revised their profit forecasts for the group upwards by about 10 per cent to about £240m.

However, Mr Clare warned against interpreting the strong current trading figures as representing the beginning of a long-term surge in consumer demand. "This is a one-off set of circumstances," he said. Furthermore, he added, "these are good times, but not boom times."

Kingfisher, owner of the Comet, B&Q and Woolworths chains, said it too was experiencing a sales boost as a result of the windfalls.

Sales for the 53 weeks to May 3 were £2.44bn (£1.92bn). Operating profit from the retail business, which includes Dixons, Currys, PC World and The Link, rose by 38 per cent to £171.9m.

Reuters in publishing revamp

By Nicholas Denton

Reuters, the UK media group, is aiming to double its revenues from professional online publishing after announcing yesterday that it had refashioned its Business Briefing service using internet technology.

The project, development of which is believed to have cost up to £20m ($33.8m), is intended to build Reuters' professional products division.

It is also intended to reduce the group's reliance on transaction systems and the distribution of market prices.

Professional products, including Business Briefing and other information databases for business users, represented less than 2 per cent of Reuters' revenues of £2.9bn in 1996, but the segment's revenues grew at 42 per cent.

The relaunch of Business Briefing brings Reuters into more direct competition with the other leading services such as Reed Elsevier's Lexis-Nexis, Dow Jones News Retrieval and FT Profile from Financial Times Information.

Reuters has traditionally been a wholesaler of information to media companies and online services.

It has sold its newswires, and the Textline database which aggregates other sources, to rival business information providers.

But Reuters has recently withdrawn access to Textline from competitors such as Lexis-Nexis and Maid, the UK market research database, because distributing information directly to end-users has become more financially attractive.

The spread of computers and modems has stimulated growth in the professional information services, which, according to Simba, a market research company, had about 3.1m subscribers in March and is currently growing at about 7 per cent a quarter.

That is set to increase as organisations institute intranets, internal computer networks using internet technology, through which they can relay outside information as well as share internal documents.

"There is a shift in the business information market from corporate librarians to end-users, and the intranet is the way to go for that," said Mr Michael Foster, director of business information of Reuters.

Distribution of Reuters data over a corporate customer's intranet will eventually allow news to be automatically broadcast – or "pushed" – to users' desktops, and integrated with a company's own internal news.

Reuters' shares closed down 23½p at 568p yesterday.

A sector to scare investors – seriously

As British Biotech's most advanced drug is delayed, **Daniel Green** assesses the industry

British Biotech has had the biotechnological equivalent of a doctor's check-up and been told to take it easy.

The delay in the US testing of Zacutex, its most advanced drug, is a health scare for the company and the stock market duly removed another 8 per cent from its already depressed share price.

However, as biotech setbacks go, this is not too serious and should do no long term damage.

Investors have much to be afraid of in the biotech sector. Several of British Biotech's peers have seen products fail in the last stages of clinical trials.

Celltech, once the second biggest UK biotech company by market capitalisation, has lost half its value since it was forced in May to abandon clinical trials of a drug for septic shock.

That is nothing compared with what has happened to some US companies. Two disasters stand out for the depths to which share prices have sunk.

The Liposome Company has plunged from $27 a month ago to about $8. Autoimmune peaked at $17.50 in January and has fallen to less than $2.

But beneath these similar share price declines lie some important differences between the companies' structures.

Celltech's position is not, however, nearly as bad as these US counterparts. They effectively bet the farm on a single product.

In Autoimmune's case there were two drugs in the final stages of clinical trials. But both worked on the same biological principle and both failed within weeks of each other.

Why should this risky approach have been taken? US investors in biotech seem more impatient than Europeans. They demand that a lead product be pushed to market as quickly as possible.

The biotech company's consequent reliance on the most advanced project puts pressure on executives to press ahead with trials, even if the drug is not showing much promise.

The net effect is that biotech drugs, especially those from US companies, appear more likely to fail in the final trials.

Celltech, by contrast, has products at all stages of development. The failure of the septic shock drug did no more than delay profitability by a year, according to Mr Peter Allen, its finance director.

Celltech pays for this low risk approach by surrendering marketing rights (and much of the potential profit) to pharmaceuticals companies which, in turn, pay for the drug's development.

British Biotech has taken a position midway between Celltech and Autoimmune. It has two products in late development. Zacutex, for acute pancreas disease, is already being considered by regulators in Europe, although US regulators are unlikely to see it before 1999.

Marimastat is being tested on six different cancers, and may prove to be effective in some and not others. The rest of the drugs in the pipeline are at a much earlier stage of development.

So from an investor's perspective, the company's £1.2bn market capitalisation is almost entirely the result of the prospects for Zacutex and marimastat.

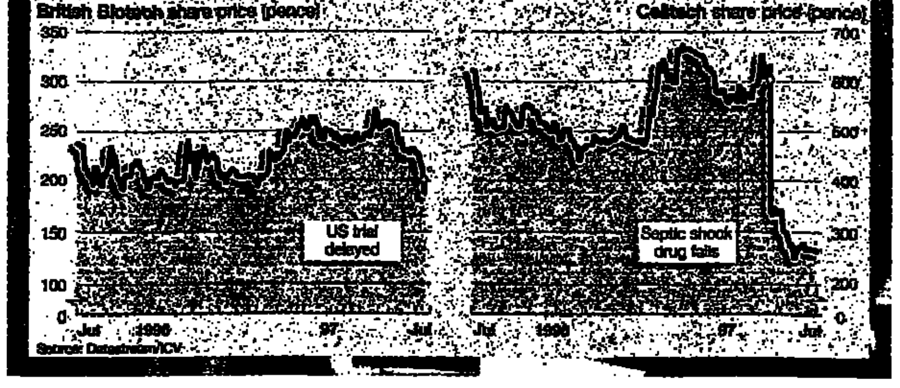
British Biotech has a higher risk than Celltech, but the latter's share price fall demonstrates how risky even comparatively risk-averse biotech companies can be.

British Biotech will reap enormous rewards if its drugs are successful. Each is potentially a breakthrough in its field.

But the structure of British Biotech is such that if either failed, the share price fall would be precipitous.

Yesterday's delay in US trials was unpleasant, but it would be as nothing if either Zacutex or marimastat failed to demonstrate its worth to regulators over the next couple of years.

Pam Kirby: commercial director Keith McCullagh: chief executive Alan Drummond: research director



US trial delays for British Biotech

By Daniel Green

British Biotech has been forced to delay the completion of an important US clinical trial of its pancreas disease drug Zacutex, by a year.

But the delay should not affect the company's commercial prospects and should help in managing its growth, said Mr Keith McCullagh, chief executive.

The shares fell 15½p to 185½p.

The company also announced the appointment of a new finance director, Mr Malcolm Fallen, formerly finance director of British Telecommunications' personal communications division.

Mr James Noble, Biotech's previous finance director, left abruptly in February.

The US Phase III trial of Zacutex is being extended because the early results did not show the number of deaths predicted by similar European trials. Phase III is the last stage before a drug is submitted to regulators for approval.

Even if all goes well, US approval is unlikely before 2000. In Europe regulators are already considering the drug; if they approve it that decision would be in early 1998.

Biotech also reported steady progress with its most important product, marimastat, the cancer drug.

However, the trials on six kinds of cancer are likely to run until the end of 1998 with the results not available until 1999.

A third drug code-named BB 2983 – for rheumatoid arthritis and inflammatory bowel disease – should move into Phase II trials over the next few months.

The company's full-year results were also released yesterday.

Pre-tax losses for the year to April 30 rose from £25.1m to £28.5m. ($48m). As a result of the enlarged capital following last year's rights issue, losses per share narrowed from 4.9p to 4.5p.

Turnover rose to £10.1m (£8.46m), mostly payments from its development partners, Glaxo Wellcome and Tanabe of Japan. Mr McCullagh said that if clinical trials proceeded as planned, a similar amount would be received this year. The company spent £36.3m (£29.1m) on research and development. Net cash used was £32m (£20.7m), leaving the company's cash reserves at the year-end at £183m.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
British Biotech	Yr to Apr 30	10.1	(8.46)	28.5L	(25.1L)	4.5L†	(4.9L)	-	-	-	-	-
BWD Securities	6 mths to May 31	8.51	(7.79)	1.5	(1.31)	5	(4.4)	2.2	Oct 1	2	-	6
Dixons	53 wks to May 3	2,443	(1,920)	200.2♥	(101.5♠)	34.3†	(15.3)	8.1	Oct 1	8.7	10.5	.75
Farepak	Yr to Apr 30	119.5	(105.5)	8.91	(7.92)	25.16	(22.64)	7.15	Oct 1	6.35	9.9	8.8
FI	Yr to Apr 30	98.8	(78.8)	6.58	(3.76♠)	14.8†	(8.2)	3.4	Oct 1	2.7	5.1	.1
Marling Inds	Yr to Mar 31	62.7	(67.1)	5.24L♠	(5.05)	3.84L	(1.83)	0.12*	Oct 8	0.6	0.24	85
Reflec Φ	10 mths to Feb 28	0.34	(-)	0.454L	(-)	6.42L	(-)	-	-	-	-	
RPC	Yr to Mar 31	129.3	(95.6)	10.5	(8.85)	11.5†	(10.2)	2.85	Aug 15	2.6	4.2	8
Vardy (Reg)	Yr to Apr 30	677	(575)	17.1	(14.2)	21.7†	(20.9)	4.9	Oct 1	4.25	7.5	5
Wagon Industrial	Yr to Mar 31	387.2	(410.3)	48.9L♠	(19.9♠)	94.1L†	(23.2)	5	Oct 2	12.75	12	1?75

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. *Foreign income dividend. ΦAim stock.

TECHNOLOGY

Peter Marsh reports on a company that customises flat screens for industrial users

A German connection

From money brokers to stockbrokers and pawnbrokers, intermediaries are essential to many businesses. But technology brokers are a rarer breed.

This group has hit on the idea of acting as a bridge between users and manufacturers in a specialised field of technology.

One of them is Data Modul, which has established a role as an intermediary in flat-panel displays. The Munich-based company, which celebrates its 25th anniversary tomorrow, has set itself an ambitious target: it plans a four-fold increase in sales through international expansion.

Data Modul transfers technology from the mainly Asian companies which make the displays to customers in fields such as instrumentation and industrial machinery. They incorporate the systems in their own equipment.

It acts as a hybrid of distributor, consultant and manufacturer in customising the displays, based mainly on liquid crystal or plasma technology, to meet the requirements of companies including divisions of the large German engineering groups Robert Bosch or Siemens.

"They look around at what's happening worldwide in this technology, bring it to Germany and adapt it to customers' needs," says Norbert Vowinkel, an independent investment analyst in Frankfurt. Alex Magona of Robert Fleming investment bank in London, says Data Modul is among the most promising German businesses in a new area of technology.

Analysts believe the field in which Data Modul specialises represents a booming area for business. World sales of flat-panel displays – which are normally used in place of the much bulkier displays based on conventional cathode ray tube technology – are put at about $12bn (£7.1bn) a year, a figure set to more than double over the next five years.

Of this figure, computer applications – for example displays for laptops – account for more than half, with consumer uses such as large flat-screen TVs providing about 20 per cent of sales (see table).

Data Modul specialises not so much in these high-volume applications but in more specialised low-volume systems, for example, in monitoring equipment in factories or in the displays of machine-tool controls. In 1996, industrial applications accounted for an estimated 7.9 per cent of total flat-screen sales globally, although the proportion is expected to fall to 4.4 per cent by 2002 as the consumer end of the business takes off.

Data Modul's business is mainly by buying basic liquid crystal systems from Japanese companies such as Sharp, Hitachi and Kyocera, and then making the hardware suitable for a specific application. The added value can be between 5 per cent and 100 per cent of the cost of the basic display. The company, with a staff of just under 100, is responsible for the choice of hardware, basic design and can also do prototype manufacturing, contracting out much of this work to companies in Asia.

Of sales in Germany of displays for industrial applications of some DM500m (£170m) a year, Data Modul's share is about 10 per cent, with the rest of the business mainly involving the Japanese companies dealing directly with the end user.

It has 4,000 customers, many of them from the "Mittelstand" heartland of German engineering businesses which specialise in niche areas of industrial equipment. For instance, Rohde & Schwarz, a maker of measuring instruments, uses Data Modul for some of its displays, while another customer is Giesecke & Devrient, the biggest German maker of banknotes, which uses displays on a new generation of electronic payment systems. Other companies which have used Data Modul's services include Munich-based InfoScreen, which supplies passenger information systems for railways; Höft & Wessel, a Hanover company which makes small hand-held computers for ticketing; and process control maker Hartmann & Braun, which is part of Italian-owned Elsag Bailey Process Automation.

While half the company's orders are for less than DM1,000, Data Modul has also ventured into the area of designing large display screens costing up to DM18,000 for applications in fields such as investment banking analysis or for depicting images of the human body in hospital surgery.

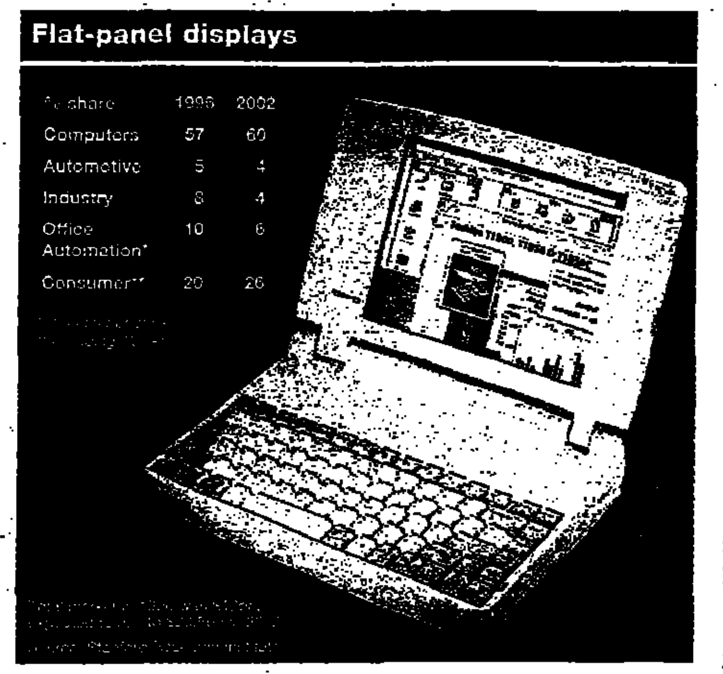
A number of banks are evaluating these systems, while Westdeutscher Rundfunk, Germany's main public radio station, has ordered some of Data Modul's large screens for outside broadcasting vehicles.

Peter Hecktor, Data Modul's president, is seeking to expand sales over the next five years, partly by acquisitions and also by stepping up marketing outside Germany, particularly in Italy, France, Spain and the UK.

While 85 per cent of its DM100m a year sales are in Germany at present, the publicly quoted Data Modul is planning to push annual revenues in the next five years to up to DM400m, with between 25 per cent and 30 per cent coming from exports.

Hecktor discounts the possibility that his company's users of flat display systems will eventually decide to deal direct with the Japanese makers of the technology, thus cutting out Data Modul. "We make connections and bring people together. That is something I think the market will continue to want," he says.

Flat-panel displays



% share	1996	2002
Computers	57	60
Automotive	5	4
Industry	8	4
Office Automation*	10	6
Consumer**	20	26

The bottom of the deep blue sea

European oceanologists should soon get their best view yet of the mid-Atlantic's four known hydrothermal vents – large, spewing ocean floor fissures – with the help of a new deep-diving remotely operated vehicle called Victor.

The $14m (£8.2m) vessel, which weighs four tonnes, is designed and built by by Ifremer, France's national marine research institute. It carries colour imaging technology that can see up to 10km in all directions.

Unlike crewed submersibles, which can involve risks for the researchers, Victor can work around the clock at depths of up to 6,000m. Victor will make seafloor research in geology, geophysics and biology safer and more efficient .

Controllers working from a networked computer on board Ifremer's research ship, Thalassa, will pilot the submersible via a single fibre-optic cable link wrapped inside a durable Kevlar tether.

Although Victor has seven such optic links, three of them are redundant, and three others can be made available for other researchers, since the vehicle is to carry an interchangeable 150kg capacity scientific "tool sled".

This is attached to the submersible's underside and can be used as a science or technology platform by either Ifremer or other research groups.

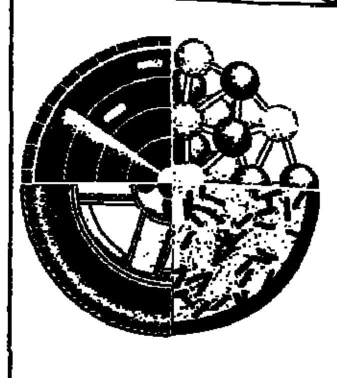
With a built-in sonar and high-resolution cameras with zoom, pan and tilt, surface controllers can program Victor's hydraulic tele-robotic manipulator arm to position instruments precisely.

But first the submersible must be offloaded from Thalassa. Victor will be deployed off the stern of the ship with the help of a 1 ton depressor weight at the bottom of an attached 8,000m steel-armoured umbilical cable. When it has been pushed to a suitable depth, six electric thrusters operating on three axes will propel the submersible to within 50m of its target.

Scheduled to start sea trials in the Mediterranean this September, Victor's first mission is planned for next summer near an ocean floor hydrothermal area not far from the Azores. With its expected life of between 20 and 30 years, Ifremer hopes the submersible will also see action in the Pacific on joint missions with the Japanese.

Bruce Dorminey

Worth Watching · Vanessa Houlder



Why your kids are smarter than you

Why is it so much more difficult to learn a language as an adult than as a child? The explanation may lie in differences in the way that the brain stores and retrieves languages, according to US scientists.

A report in today's *Nature* shows that second languages acquired by adults are spatially separated from native languages in the language-sensitive part of the brain, known as Broca's area. By contrast, those who learn foreign languages as children use the same part of Broca's area for both languages.

These findings suggest that adults are disadvantaged when it comes to learning languages because they have to establish a distinct structure in the brain for the new language.

The results were based on magnetic resonance imaging studies by scientists at Memorial Sloan-Kettering Cancer Center and Cornell University Medical College.

Memorial Sloan-Kettering Cancer Center: US, tel 2126392276; e-mail hirsch@vision.mskcc.org

Breakthrough in tumour diagnosis

Scientists at the Weizmann Institute of Science in Israel have developed a non-invasive technique for distinguishing between malignant and benign tumours.

The researchers injected a dye-like material into the patient's bloodstream and then used magnetic resonance imaging (MRI) to monitor the way in which it was taken up by the tissue. MRI images are based on signals from hydrogen atoms that make up water in the tissues. The patterns for malignant and benign growths are different because they reflect the size of the spaces between cells and the number and leakiness of blood vessels that feed the tumour.

The method, reported in *Nature Medicine*, could help doctors predict the progress of a tumour by providing information about the density of blood vessels.

Weizmann Institute of Science: Israel tel 97289343852; http://www.weizmann.ac.il

A breath of fresh air

For much of the year people are reluctant to put up with draughts from open windows. But working in badly ventilated rooms often causes headaches from the build-up of carbon dioxide.

German scientists have designed a sensor that allows the intake of fresh air to be monitored by detecting levels of carbon dioxide. When a concentration of 0.1 per cent of carbon dioxide has been reached, a ventilation system switches on. As soon as there is enough fresh air in the room the fan stops. The sensor, developed by the Fraunhofer Institute for Solid State Technology in Munich, may also be applied to cars.

Fraunhofer Institute for Solid State Technology: Germany, tel 8954759223; fax 8954759100.

A little heavy, but very green

Cambridge researchers are developing an environment-friendly cardboard "can" for fizzy drinks.

The cans, made of cellulose with a thin internal plastic skin to stop gas escaping, can cope with pressures of up to 70lbs per square inch. They weigh about twice as much as metal cans.

Scientific Generics, the container's developer, believes it will appeal to consumers who want recyclable and renewable products, even though it would initially be more expensive than available alternatives.

Scientific Generics, a technology consultancy, is talking to manufacturers about commercialising the product.

Scientific Generics: UK, tel (0)1223 875200; fax (0)1223 875201.

INTERNATIONAL CAPITAL MARKETS

Gilts nervous ahead of Bank meeting

GOVERNMENT BONDS

By Vincent Boland and Krishna Guha in London and John Labate in New York

European bond markets posted further gains yesterday but a bout of late profit-taking knocked some of the shine off the performance.

Sentiment was again dominated by support from US Treasuries.

The exception was UK GILTS. The market was nervous ahead of today's announcement on interest rates from the Bank of England's monetary policy committee.

The September future on the benchmark long gilt settled down ⅜ at 114⅜ in London. Sentiment swung between an expected rise of 25 basis points and the prospect that the committee might want to "show its monetary mettle" and raise rates by 50 points to damp the surge in UK consumer spending.

Mr David Brown, chief economist at Bear Stearns, said there was "a good outside chance" the Bank would raise rates by 50 points as it seeks to assert its newly won independence.

ITALIAN BTPs raced ahead in early trading. The September future reached a record intra-day high of 137.05, before falling back to settle up 0.3 at 136.56 in London. The spread over 10-year benchmark bunds narrowed a further three points to 94, a new low.

Analysts said there was no obvious barrier to BTPs in the short term. Emu optimism has not run out of steam, and many believe there will be considerable tightening of the spread over Spanish bonos, which currently trade 29 points under BTPs, at 65 points over bunds.

Others, however, said trading would become "sticky" once BTPs narrowed below 90 basis points. Upside potential is increasingly limited, while the the downside risk of Emu delay remains.

GERMAN BUNDS initially moved higher, but some investors took profits after talk of moves to introduce a variable rate repo in place of the current fixed rate – a rumour dismissed by most analysts. The September future contract settled up 0.1 at 102.86.

Bund strategists said upward pressure was due to the continued buoyancy of the US market. Further gains will be difficult, as 10-year bunds have hit a historic yield barrier of 5.5 per cent.

US TREASURIES opened higher in thin trading. By early afternoon the benchmark 30-year Treasury bond had risen 7/32 at 100 25/32, sending the yield down to 6.559 per cent. The price of the two-year note inched up 1/32 at 100 3/16, yielding 5.880 per cent.

The 10-year bond rose 5/32 at 102 11/32, sending the yield to 6.245 per cent.

"People are reassessing their inflation outlook fairly substantially," said Mr Kevin Sluder, of First Chicago Capital Markets. Investors have expected a rise for so long that it would take more solid evidence to cause Treasury prices to fall dramatically, he added.

The inflation outlook has led to weak early demand for the Treasury's new $8bn issue of five-year inflation-indexed notes, which went on sale yesterday afternoon.

Fannie Mae issues first HK dollar global

INTERNATIONAL BONDS

By Michael Lindemann and Edward Luce

Fannie Mae, the US mortgage finance institution, yesterday gave Hong Kong something to celebrate – the first global bond to be denominated in Hong Kong dollars.

The HK$1.5bn five-year offering was priced to yield 61.6 basis points over the five-year US Treasury.

"We are always looking for opportunities in a variety of currencies," said Mr John The Losen, vice-president for debt marketing at Fannie Mae.

The bond was trading flat to reoffer after launch yesterday. Distribution was strong in the US and Asia.

The pre-summer rush in the eurobond markets continued with a raft of new issues including a bond from Banque Paribas denominated in ecus, lira and French francs.

Paribas said it had opted for the so-called "euro-tributary" – a bond issued in three currencies but which consolidates into one $875m issue in 1999 – following the success of a L1,000bn euro-tributary issue from the European Investment Bank, which recently increased from L1.5bn.

The currencies were chosen because they are all expected to convert into euros when the European single currency is launched. "We've seen a surge across Europe for anything with an Emu play on it," Paribas said.

The 10-year bond had also been chosen to extend Paribas's range of maturities following its issue last month of a $1bn five-year bond.

The lira tranche of the euro-tributary would carry a 10 per cent coupon until August 1999, reflecting the higher yield on Italian bonds, before reverting to the 5.75 per cent coupon which the two other tranches carry.

The 2.75bn French franc tranche was launched at 39 basis points over the OAT curve and tightened to 38 basis points last night.

The lira tranche had been launched at London Inter-Bank Offered Rate plus 12 and tightened to Libor plus 10.

Meanwhile, Austria opted for Dutch guilders to extend its recent issue programme, marked earlier this week with its first 30-year bond since 1945.

The 1bn guilder issue will convert into an Austrian government bond when Austria joins the planned European single currency, becoming the first eurobond to be transformed into a domestic transaction in this way.

ABN Amro, the lead manager said it had seen strong demand from Dutch institutions impressed by the success of a 15-year guilder issue by Italy in May.

The issue, which is strippable, was launched at 14 basis points over 2023 Dutch state loans and was trading at the same spread last night.

Japan Finance Corporation for Small Business launched a DM450m eurobond, its second D-Mark issue.

The JFS, which normally issues in yen or Swiss francs, opted for D-Marks after a DM350m issue last August.

The bond was targeted at retail customers and was almost sold out last night, according to Deutsche Morgan Grenfell, the joint book-runners.

It was launched at 20 basis points over bunds and the spread had widened last night to 21.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
Philip Morris Companies	1bn	(a,s)#	(a)R	Jul 2005	0.4125R	(a)(6⅝%May07)	Merrill Lynch
Crédit Local de France(b)	500	6.50	99.88R	Feb 2004	0.275R	+25(6%Jun02)	Nomura International
Bankers Trust Intl(c)‡	100	(c1,l)	99.773R	Jul 2007	0.25R	-	Bear Stearns Intl
World Bank★	100	5.80	100.6438	Jul 1998	0.5638	-	IBJ Intl/Wako Intl
Cerinvest	75	6.375	100.2025R	Aug 2000	0.1875R	+22(6⅜%May00)	BIL/Cerabank
D-MARKS							
Bayerische Hypo(d,s)	1bn	6.75	99.50R	Dec 2007	0.85R	-	Lehman Bros Bankhaus
CCCMT 1, 97-5, Cls A(e,s)	1bn	5.75	99.69R	Jul 2007	0.325R	+25(6%Jul07)	Merrill Lynch Cap Mkts
LB Schleswig-Holstein Fin	500	5.625	99.55R	Jul 2007	0.325R	+17(6%Jul07)	SBC Warburg
JFS	450	4.50	99.685R	Aug 2002	0.25R	+20(4½Feb02)	Bank of TM/Deutsche MG
SBC Jersey Branch(f)§	200	1.00	96.50	Aug 2002	2.50	-	SBC Warburg
STERLING							
Dresdner Finance	150	7.375	99.831R	Jul 2002	0.25R	+12(7%Jun02)	Dresdner KB
GECC	100	7.25	99.85R	Jul 1999	0.125R	+15(6%Aug99)	UBS
FRENCH FRANCS							
Banque Paribas(g)	2.75bn	5.75	99.65R	Aug 2007	0.375R	+39(i)	Paribas
SWISS FRANCS							
KfW International Finance	700	3.50	102.625	Aug 2007	2.75	-	CSFB/Merrill Lynch
Province of Newfoundland	150	3.25	102.25	Aug 2002	2.00	-	UBS
IBM Intl Finance(s)	125	2.50	101.50	Dec 2001	1.75	-	Banque Paribas(Suisse)
ITALIAN LIRE							
Banque Paribas(g)	400bn	(h)	100.00	Aug 2007	0.20	-	Paribas
Abbey Natl Trsy Services	300bn	6.00	101.86	Aug 2002	1.875	-	Credito/Paribas
GUILDERS							
Republic of Austria(j,s)	1bn	6.25	98.289R	Jul 2027	0.45R	+14(7%Jan23)	ABN Amro Hoare Govett
ECU							
Banque Paribas(g,k)	150	5.75	97.005R	Aug 2007	0.375R	+36½(5½%-07)	Paribas
HONG KONG DOLLARS							
Federal Natl Mtg Assoc	1.5bn	6.85	99.832R	Jul 2002	0.25R	+34½(Jun02)	HSBC/Merrill Lynch

Final terms, non-callable unless stated. Yield spread (over govt bond) at launch supplied by lead manager. ★Unlisted. §Convertible. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Priced today 78-80bp over. b) Fungible with $1bn. Plus 155 days accrued. c) Callable from Jul 02 at par. c1) 3-mth Libor +25bp to Jul 02, then +75bp. d) Repaid on 1/6/08. e) Citibank Credit Card Master Trust. Legal maturity: 16/7/09. Class B: DM64m, 6%, 100.01R, Jul07. f) Convertible into equally weighted basket of Axa, Allianz, Aegon, Swiss Re and Zurich insurance at 22.5% premium. Callable from 7/8/00 at par. g) Fungible upon Emu. h) 10% to 6/8/99, then 5¾%. i) Over interpolated yield. j) Fungible with Sch15bn upon Emu. k) Spread relates to French govt Ecu OAT. l) Long 1st coupon. s) Short 1st coupon.

CAPITAL MARKETS NEWS DIGEST

SocGen's Ukraine fund draws $80m

One of the first emerging market funds dedicated to Ukraine closed yesterday, after attracting some $80m, substantially higher than the organisers' minimum of $50m. The seven-year fund, launched by Société Générale, reflects growing business interest in Ukraine, where the economy continues to shrink and market reforms have been slow to take root. However, some investors see an opportunity in the country's bargain basement equity prices, its domestic market of more than 50m people and its growing private sector.

"We think the peripheral markets in central and eastern Europe offer the best value, and the two strongest ones are Ukraine and Romania," said Mr Richard Harding, managing director of Société Générale Emerging Europe Asset Management, the Société Générale fund management subsidiary.

Mr Harding said the fund, which will focus on private equity and potential blue-chip companies, hoped to be fully invested within 12 months. The fund managers have already pursued several deals in Ukraine and hope to close projects worth $20m-$25m within the next two or three months. The fund will also consider investments in the country's high-yielding debt market.

Chrystia Freeland, Moscow

■ CESDF

FFr3bn 10-year issue launched

The Council of Europe Social Development Fund (CESDF) yesterday issued FFr3bn ($506m) of 10-year bonds, priced to yield 12 basis points more than French OATs with the same maturity. The issue contains a "euro clause", allowing for redenomination in the European single currency, the launch of which is planned in January 1999. After redenomination, the bonds can also be merged with identical securities, denominated in francs or other currencies participating in European economic and monetary union, to form a sizeable liquid issue.

J.P. Morgan, joint lead manager with Société Générale, said the launch had "gone very well" and that the spread had tightened to 11 basis points. *Samer Iskandar, Paris*

■ NORDIC INVESTMENT BANK

Taiwan dollar offering

The Nordic Investment Bank is to issue a T$4bn (US$143m) bond. The Taiwan dollar-denominated offering will have a maturity of five years, and the coupon rate will be set at about 0.28 per cent plus the median yield of Taiwan government bonds of the series 85-3.

The Nordic Investment Bank, which finances investment projects and exports of Denmark, Finland, Iceland, Norway and Sweden, is the fourth multilateral bank to raise funds in the Taiwan currency. Citicorp International Securities has been appointed as the arranger.

Laura Tyson, Taipei

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		10.000	10/07	123.9345	+0.330	6.73	7.01	7.46
Austria		5.750	04/07	100.3200	+0.180	5.70	5.80	5.94
Belgium		6.250	03/07	104.5800	+0.080	5.62	5.72	6.03
Canada *		7.250	06/07	109.4200	+0.260	5.97	6.23	6.50
Denmark		7.000	06/07	106.6300	+0.140	6.11	6.25	6.41
France	BTAN	4.750	03/02	101.3305	+0.040	4.43	4.52	4.82
	OAT	5.500	04/07	100.7600	+0.580	5.39	5.53	5.82
Germany Bund		6.000	07/07	103.3600	+0.080	5.55	5.65	5.94
Ireland		8.000	08/06	110.6300	-0.060	6.39	6.40	6.72
Italy		6.750	02/07	102.5700	+0.300	6.39†	6.62	7.25
Japan	No 148	5.800	06/02	118.4839	+0.040	1.57	1.62	1.86
	No 182	3.000	09/05	104.8265	+0.180	2.30	2.32	2.54
Netherlands		5.750	02/07	102.0400	+0.060	5.47	5.52	5.82
Portugal		9.500	02/06	121.7500	+0.100	6.16	6.22	6.48
Spain		7.350	03/07	108.1000	+0.180	6.20	6.32	6.69
Sweden		8.000	08/07	111.4569	+0.470	6.42	6.56	7.06
UK Gilts		7.000	06/02	99-06	-5/32	7.19	7.02	7.07
		7.250	12/07	101-08	-11/32	7.08	6.99	7.22
		9.000	10/08	114-16	-12/32	7.11	7.04	7.28
US Treasury *		6.625	05/07	102-22	+2/32	6.25	6.42	6.69
		6.625	02/27	100-24	+6/32	6.57	6.72	6.94
ECU (French Govt)		7.000	04/06	108.8900	+0.270	5.68	5.84	6.10

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: Standard & Poor's MMS.

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
Prime rate	8½	One month	-	Two year	5.90
Broker loan rate	7¼	Two month	-	Three year	6.02
Fed funds	5 7/16	Three month	5.09	Five year	6.15
Fed funds at intervention	-	Six month	5.28	10-year	6.25
		One year	5.61	30-year	6.57

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	130.46	130.72	+0.34	130.88	130.44	13,768	211,746
Dec	99.10	99.38	+0.34	99.50	99.10	566	3,434
Mar	98.50	98.78	+0.34	98.50	98.50	2	-

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Jul	Calls Aug	Calls Sep	Puts Jul	Puts Aug	Puts Sep
126	4.72	4.72	-	-	0.06	-
127	3.72	3.76	-	0.02	0.15	-
128	2.73	2.86	-	0.07	0.28	-
129	1.79	1.99	-	0.23	0.53	-
130	0.95	1.24	-	0.65	0.96	-

Est. vol. total, Calls 20,285 Puts 18,778. Previous day's open int., Calls 98,415 Puts 131,058.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	102.77	102.86	+0.10	103.15	102.76	202485	289234
Dec	102.13	101.93	+0.10	102.21	102.04	329	8340

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Aug	Calls Sep	Calls Oct	Calls Dec	Puts Aug	Puts Sep	Puts Oct	Puts Dec
10250	0.56	0.89	0.68	1.02	0.22	0.53	1.25	1.59
10300	0.30	0.61	0.50	0.81	0.44	0.75	1.57	1.88
10350	0.12	0.39	0.36	0.63	0.76	1.03	1.93	2.20

Est. vol. total, Calls 24104 Puts 20545. Previous day's open int., Calls 170107 Puts 210598

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	136.40	136.56	+0.30	137.05	136.40	64678	108858
Dec		108.55	+0.23			0	1273

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Sep	Calls Dec	Puts Sep	Puts Dec
8000		28.55		0
8050		28.05		0
8100		27.55		0

Est. vol. total, Calls 7112 Puts 6748. Previous day's open int., Calls 81121 Puts 93985

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	117.77	117.78	+0.13	118.12	117.73	65,851	92,072
Dec	-	101.42	-	-	-	-	234

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	114-25	114-09	-0-12	114-27	114-06	52965	156303
Dec		113-28	-0-12			0	628

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Aug	Calls Sep	Calls Oct	Calls Dec	Puts Aug	Puts Sep	Puts Oct	Puts Dec
114	0-48	1-13	1-21	1-53	0-30	0-59	1-29	1-61
115	0-19	0-45	0-58	1-25	1-01	1-27	2-02	2-33
116	0-08	0-27	0-38	1-02	1-54	2-09	2-46	3-10

Est. vol. total, Calls 3575 Puts 1554. Previous day's open int., Calls 38722 Puts 29996

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	97.20	97.54	+0.40	97.60	97.20	1,600	5,456

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Sep	113-18	113-27	+0-07	114-00	113-17	252,475	456,793
Dec	113-05	113-15	+0-07	113-19	113-05	778	28,339
Mar	-	112-30	-	-	-	601	3,628

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Sep	124.84			124.86	124.78	933	0

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FTSE Actuaries Govt. Securities

Price indices UK Gilts	Wed Jul 9	Day's change %	Tue Jul 8	Accrued interest	xd adj. ytd
1 Up to 5 years (20)	119.35	-0.07	119.43	2.26	5.78
2 5-15 years (20)	151.77	-0.26	152.17	1.97	8.71
3 Over 15 years (6)	182.76	-0.46	183.60	6.19	5.02
4 Irredeemables (5)	212.19	-0.68	213.64	2.52	7.34
5 All stocks (51)	146.85	-0.24	147.20	2.87	6.18
Index-linked					
6 Up to 5 years (2)	205.19	-0.06	205.32	1.65	3.03
7 Over 5 years (10)	199.54	-0.12	199.79	1.66	3.18
8 All stocks (12)	199.06	-0.12	199.30	1.65	3.15

UK Indices

Yields	Low coupon Jul 9	Low coupon Jul 8	Low coupon Yr. ago	Medium coupon Jul 9	Medium coupon Jul 8	Medium coupon Yr. ago	High coupon Jul 9	High coupon Jul 8	High coupon Yr. ago
5 yrs	7.19	7.15	7.31	7.23	7.18	7.38	7.30	7.26	7.43
15 yrs	7.05	7.00	8.13	7.07	7.03	8.13	7.14	7.10	8.23
20 yrs	7.05	7.00	8.24	7.02	6.97	8.22	7.12	7.08	8.30
Irred.†	7.12	7.07	8.33						

	Inflation 5% Jul 9	Inflation 5% Jul 8	Inflation 5% Yr. ago	Inflation 10% Jul 9	Inflation 10% Jul 8	Inflation 10% Yr. ago
Up to 5 yrs	3.63	3.61	2.68	2.90	2.88	1.16
Over 5 yrs	3.57	3.56	3.82	3.35	3.33	3.61

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT Fixed Interest Indices

	Jul 9	Jul 8	Jul 7	Jul 4	Jul 3	Yr ago	High*	Low*
Govt. Secs. (UK)	96.88	97.18	97.28	97.27	96.96	92.98	97.51	93.31
Fixed interest	125.30	125.33	124.75	124.36	123.86	112.63	125.39	115.32

Gilt Edged Activity Indices

	Jul 8	Jul 7	Jul 4	Jul 3	Jul 2
Gilt Edged bargains	NA	NA	NA	NA	NA
5-day average	NA	NA	NA	NA	NA

 * for 1997. Government Securities high since compilation: 127.40 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974. Gilt Edged volume data will be unavailable until further notice.

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or –	52 week High	52 week Low
Shorts" (Lives up to Five Years)						
Treas Cnv 7pc 1997‡‡	7.00	6.77	100 1/32	—	101 [illegible]	100 1/32
Treas 8¾pc 1997‡‡	8.73	6.56	100 [illegible]	-1/32	107 [illegible]	100 [illegible]
Exch 15pc 1997	14.66	6.72	102 [illegible]	-1/32	111 [illegible]	102 [illegible]
Exch 9¾pc 1998	9.61	6.93	101 [illegible]	-1/32	105 [illegible]	100 [illegible]
Treas 7¼pc 1998‡‡	7.24	7.05	100 [illegible]	-1/32	100 [illegible]	100 [illegible]
Treas 15½pc '98‡‡	14.15	7.15	109 [illegible]	-1/32	118 [illegible]	109 [illegible]
Exch 12pc 1998	11.31	7.16	106 [illegible]	-1/32	111 [illegible]	106 [illegible]
Treas 9½pc 1999‡‡	9.20	7.22	103 [illegible]xd	-1/32	105 [illegible]	97 [illegible]
Treas Flg Rate 1999‡‡	-	-	100 [illegible]	—	100 [illegible]	99 [illegible]
Exch 12¼pc 1999	11.35	7.23	107 [illegible]	-1/32	113 [illegible]	107 [illegible]
Treas 10½pc 1999	9.95	7.12	105 [illegible]	-1/32	110 [illegible]	105 [illegible]
Treas 6pc 1999‡‡	6.13	7.23	97 [illegible]	-1/32	99¼	96 [illegible]
Conv 10¼pc 1999	9.63	7.25	106⅛	[illegible]	116 [illegible]	105 [illegible]
Treas 8½pc 2000	8.28	7.24	102 [illegible]	[illegible]	104 [illegible]	102 [illegible]
Conv 9pc 2000‡‡	8.64	7.26	104⅛	[illegible]	107 [illegible]	103 [illegible]
Treas 13pc 2000	11.29	7.30	115 [illegible]xd	[illegible]	120 [illegible]	115 [illegible]
Treas 14pc 1998-1	13.25	7.08	105 [illegible]	[illegible]	113 [illegible]	105 [illegible]
Treas 8pc 2000‡‡	7.82	7.23	102¼	[illegible]	104 [illegible]	102
Treas Flg Rate 2001	-	-	100 [illegible]	—	100 [illegible]	99 [illegible]
Treas 10pc 2001	9.22	7.28	108½	[illegible]	112 [illegible]	98 [illegible]
Conv 9½pc 2001	8.83	7.25	107 [illegible]xd	[illegible]	109 [illegible]	107 [illegible]
Conv 9¾pc 2001	8.96	7.25	108⅝	[illegible]	110 [illegible]	108½
Treas 7pc 2001‡‡	7.06	7.23	99 [illegible]	[illegible]	101⅛	96 [illegible]
Exch 12pc 1999-2	11.22	7.17	106 [illegible]	[illegible]	109 [illegible]	106 [illegible]
Conv 10pc 2002	9.03	7.25	110 [illegible]	[illegible]	112⅝	109 [illegible]
Treas 7pc 2002‡‡	7.08	7.19	98 [illegible]	[illegible]	101 [illegible]	97 [illegible]
Five to Fifteen Years						
Conv 9½pc 2002	8.71	7.25	109 [illegible]	[illegible]	110 [illegible]	108⅛
Treas 9¾pc 2002	8.83	7.27	110 [illegible]	[illegible]	122¼	108½
Exch 9pc 2002	8.37	7.26	107 [illegible]	[illegible]	109¼	106 [illegible]
Conv 9¾pc 2003	8.74	7.24	111 [illegible]	[illegible]	113⅝	110 [illegible]
Treas 8pc 2003‡‡	7.71	7.21	103¾	[illegible]	105 [illegible]	101⅞
Treas 13¾pc 2000-3	11.72	7.28	117 [illegible]	[illegible]	119 [illegible]	117 [illegible]
Treas 10pc 2003	8.82	7.25	113 [illegible]	[illegible]	116 [illegible]	111⅞
Treas 11½pc 2001-4	10.15	7.32	113¼	[illegible]	121⅜	113¼
Treas 10pc 2004	8.72	7.21	114 [illegible]	[illegible]	116 [illegible]	113
Funding 3½pc 1999-4	4.07	5.97	86 [illegible]xd	-¼	87 [illegible]	80 [illegible]
Conv 9½pc 2004	8.41	7.17	113 [illegible]	[illegible]	114 [illegible]	109 [illegible]
Treas 6¾pc 2004‡‡	6.90	7.11	97 [illegible]	-¼	99 [illegible]	93 [illegible]
Conv 9½pc 2005	8.36	7.15	113 [illegible]	[illegible]	122 [illegible]	109 [illegible]
Exch 10½pc 2005	8.72	7.12	120 [illegible]	[illegible]	121 [illegible]	117 [illegible]
Treas 12½pc 2003-5	9.90	7.25	126 [illegible]	[illegible]	128 [illegible]	124 [illegible]
Treas 8½pc 2005‡‡	7.84	7.13	108 [illegible]	[illegible]	109⅞	103 [illegible]
Conv 9¾pc 2006	8.30	7.10	117 [illegible]	[illegible]	118 [illegible]	113 [illegible]
Treas 7½pc 2006‡‡	7.31	7.11	102 [illegible]	[illegible]	103 [illegible]	95½
Treas 7¾pc 2006‡‡	7.45	7.14	104	[illegible]	107¼	97½
Treas 8pc 2002-6‡‡	7.79	7.38	102 [illegible]	[illegible]	104 [illegible]	100 [illegible]
Treas 11¾pc 2003-7	9.79	7.28	120 [illegible]	[illegible]	123 [illegible]	115⅞
Treas 8½pc 2007‡‡	7.75	7.13	109⅝xd	[illegible]	111 [illegible]	103 [illegible]
Treas 7¼pc 2007‡‡	7.18	7.07	101 [illegible]	[illegible]	102 [illegible]	95 [illegible]
Treas 13½pc 2004-8	10.18	7.24	132 [illegible]	[illegible]	134 [illegible]	131⅞
Treas 9pc 2008‡‡	7.86	7.10	114½	[illegible]	115 [illegible]	103 [illegible]
Treas 8pc 2009	7.48	7.10	107 [illegible]	[illegible]	107 [illegible]	99 [illegible]
Treas 6¼pc 2010‡‡	6.73	7.09	92 [illegible]	[illegible]	95⅝	85 [illegible]
Conv 9pc Ln 2011‡‡	7.70	7.08	116 [illegible]xd	[illegible]	117 [illegible]	106⅝
Over Fifteen Years						
Treas 9pc 2012‡‡	7.65	7.08	117 [illegible]	[illegible]	118 [illegible]	105½
Treas 5½pc 2008-12‡‡	6.27	6.81	87 [illegible]	[illegible]	88 [illegible]	77 [illegible]
Treas 8pc 2013‡‡	7.34	7.06	108 [illegible]	[illegible]	109 [illegible]	97⅛
Treas 7¾pc 2012-15‡‡	7.30	7.06	106 [illegible]	[illegible]	106 [illegible]	95¼
Treas 8pc 2015‡‡	7.26	7.00	110 [illegible]	[illegible]	110 [illegible]	97 [illegible]
Treas 8¾pc 2017‡‡	7.40	7.04	118 [illegible]	[illegible]	118⅞	103 [illegible]
Exch 12pc 2013-17	8.16	7.07	146 [illegible]	[illegible]	147 [illegible]	138⅞
Treas 8pc 2021‡‡	7.15	6.97	111 [illegible]	[illegible]	112 [illegible]	97 [illegible]
Undated						
Consols 4pc	7.35	-	54 [illegible]	-¼	55 [illegible]	47¼
War Loan 3½pc‡‡	7.08	-	49 [illegible]	[illegible]	50 [illegible]	42 [illegible]
Conv 3½pc '61 Aft.	5.25	-	66 [illegible]	[illegible]	67 [illegible]	59 [illegible]
Treas 3pc '66 Aft.	7.43	-	40 [illegible]	-¼	40 [illegible]	35 [illegible]
Consols 2½pc	7.07	-	35 [illegible]	-¼	35 [illegible]	30 [illegible]
Treas. 2½pc	7.19	-	34 [illegible]	-¼	35 [illegible]	29½

Index-Linked (b)	Yield (1)	Yield (2)	Price £	+ or –	52 week High	52 week Low
4⅜pc '98‡‡ (135.6)	-	3.05	114	[illegible]	114⅛	113 [illegible]
2pc '99	1.98	3.24	181 [illegible]	[illegible]	182 [illegible]	178 [illegible]
2½pc '01 (78.3)	2.89	3.63	186 [illegible]	[illegible]	187 [illegible]	180 [illegible]
2½pc '03 (78.8)	3.09	3.62	182 [illegible]	[illegible]	184 [illegible]	175 [illegible]
4⅜pc '04‡‡ (135.6)	3.13	3.59	118¼	[illegible]	120 [illegible]	114 [illegible]
2pc '06 (69.5)	3.28	3.58	193¼	[illegible]	195 [illegible]	183 [illegible]
2½pc '09 (78.8)	3.27	3.56	174¼	[illegible]	178 [illegible]	164½
2½pc '11 (74.6)	3.31	3.56	180 [illegible]	[illegible]	183 [illegible]	169 [illegible]
2½pc '13 (89.2)	3.33	3.55	149 [illegible]	[illegible]	150 [illegible]	139 [illegible]
2½pc '16 (81.6)	3.35	3.55	159 [illegible]	[illegible]	161 [illegible]	149 [illegible]
2½pc '20 (83.0)	3.40	3.57	153 [illegible]	[illegible]	154 [illegible]	141 [illegible]
2½pc '24‡‡ (97.7)	3.41	3.57	127 [illegible]xd	[illegible]	128 [illegible]	117 [illegible]
4⅛pc '30‡‡ (135.1)	3.41	3.58	125⅝	[illegible]	125⅞	115 [illegible]

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in February 1987. Conversion factor 3.945. RPI for November 1996: 153.9 and for June 1997: 157.5.

Other Fixed Interest

Notes	Yield Int	Yield Red	Price £	+ or –	52 week High	52 week Low
Asian Dev 10¼pc 2009	8.37	7.34	122 [illegible]	—	123 [illegible]	114¼
B'ham 11½pc 2012	8.61	7.80	133½	—	133½	123
Leeds 13½pc 2006	9.68	-	139½	—	139½	131½
Liverpool 3½pc Irred	8.14	-	43	—	45	37½
LCC 3pc '20 Aft	8.11	-	37	—	39	32⅞
Manchester 11½pc 2007	8.95	7.77	128½	—	128½	120¼
Met. Wtr. 3pc 'B'	3.61	6.35	83	—	83	75¼
N'wide Anglia 3⅞pc 2021	-	3.97	148xd	—	147¼	139
4⅛pc IL 2024	-	4.35	141 [illegible]	—	142 [illegible]	133½

● 'Tap' stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock. Prospective real Index-Linked redemption yields are calculated by HSBC Greenwell from Bank of England closing prices. ⯑ Indicative price.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on July 9

	Issued	Bid	Offer	Chg	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	100⅛	100⅜		6.47
ABN Amro Bank 7¼ 05	1000	102⅞	103	+⅛	6.80
African Dev Bk 7⅝ 23	500	102⅝	103	+⅛	7.14
Alberta Province 7⅝ 98	1000	101⅞	102⅛		6.07
Argentina 11⅜ 17	2000				
Asian Dev Bank 6¼ 05	750	98¾	99		6.55
Austria 8½ 00	400	105⅛	105⅜		6.23
Baden-Wuertt L-Fin 8⅛ 00	1000	104¼	104⅜	+⅛	6.24
Bancomext 7¼ 04	1000	94⅞	94¾	+⅛	8.56
Bank Ned Gemeenten 7 99	1000	101⅜	101⅞	+⅛	6.08
Bayer Vereinsbk 8⅛ 00	500	104⅛	104⅜	+⅛	6.30
Belgium 5½ 03	1000	95½	95⅝	+⅛	6.38
British Columbia 7¾ 02	500	105¼	105½		6.47
British Gas 0 21	1500	17	17⅛	+⅛	7.58
Canada 6⅞ 05	1600	99¾	100	-⅛	6.52
Cheung Kong Fin 5½ 98	500	98⅝	98¾		6.68
China 6½ 04	1000	97⅞	98⅛	+⅛	7.05
Credit Foncier 9½ 99	300	105	105¼		6.12
East Japan Railway 6⅝ 04	600	99½	99¾		6.71
EIB 6 04	500	98⅝	98⅞	-⅛	6.25
Ex-Im Bank Japan 8 02	500	105⅜	105⅝		6.43
Export Dev Corp 9½ 98	150	103⅜	103½	+⅛	5.96
Exxon Capital 0 04	1800	64	64⅜	+¼	6.26
Fed Home Loan 7⅛ 99	1500	102⅛	102¼		6.09
Federal Natl Mort 7.40 04	1500	105⅜	105⅝		6.53
Finland 7⅞ 04	1500	108⅛	108¼		6.53
Ford Motor Credit 6½ 02	1250	99¾	99⅞		6.67
General Mills 0 13	1000	28	28½	+⅛	8.23
IMI Finance 5¼ 98	650	98⅞	99		6.07
Inter-Amer Dev 6⅛ 06	1000	98⅛	98¼		6.51
Inter-Amer Dev 7½ 05	500	105½	105¾		6.56
Intl Finance 5¼ 99	500	98⅞	99¼		6.03
Italy 6 03	2000	98⅝	98¾		6.37
Italy 6⅞ 23	3500	96¾	97⅛	-⅛	7.28
Japan Dev Bk 6⅜ 01	500	106⅜	106⅝		6.32
Korea Elec Power 6⅜ 03	1350	96⅞	97⅛	+⅛	7.11
Matsushita Elec 7¼ 02	1000	103½	103¾		6.53
Mexico 9⅞ 07	1000	107⅛	107⅜	+⅜	8.91
Minfin Russia 9¼ 01	1000	101½	102	-1⅛	9.02
Ontario 7⅜ 03	3000	104⅛	104⅜		6.58
Ontario 7¾ 02	2000	105½	105¾		6.53
Oster Kontrollbank 8½ 01	200	106¾	107		6.38
Portugal 5¾ 03	1000	96⅞	97⅛	-⅛	6.46
Quebec Hydro 9¾ 98	150	104	104⅛		6.21
SAS 10 99	200	105¼	105¾		6.46
SNCF 9½ 98	150	103⅜	103½		6.02
Spain 6½ 99	1500	100⅞	101		6.05
Sweden 6½ 03	2000	101⅛	101¼		6.36
Tennessee Valley 6 00	1000	98½	98⅝	+⅛	6.26
Tennessee Valley 6⅜ 05	2000	98½	98⅝		6.56
Tokyo Elec Power 6⅛ 03	1000	99½	99¾		6.22
United Kingdom 6⅞ 01	2000	102½	102⅝		6.03
United Kingdom 7¼ 02	3000	104¾	105		6.18
Walt Disney 6⅜ 01	1300	99⅞	100	-⅛	6.51
World Bank 6⅜ 05	1500	100	100⅛		6.46
World Bank 8⅝ 99	1500	105⅜	105½	+⅛	5.85
DEUTSCHE MARK STRAIGHTS					
Austria 6½ 24	2000	100⅝	100¾		6.45
Baden-Wuertt L-Finance 6 99	2000	104⅛	104¼	-⅛	3.83
Bayerische LB 5 06	1500	103¼	103¾	+⅛	5.51
Credit Foncier 7¼ 03	2000	109⅝	110⅛		5.22
Depfa Finance 6⅜ 03	1500	106½	106⅞		5.12
Deutsche Bk Fin 7½ 03	2000	111⅛	111¼	-⅛	5.15
Deutsche Finance 5⅛ 04	2500	103½	103⅝		5.10
EEC 6½ 00	2900	106½	106⅝		3.88
EIB 6¼ 00	1500	105⅞	106⅛		3.94
Finland 7½ 00	3000	108¾	108⅞		3.82
Helaba Intl 5⅞ 01	1500	105	105⅛		4.46
KfW Intl Finance 6¼ 03	2250	106⅜	106½		5.03
LKB Baden-Wuert 6½ 08	2250	105¼	105⅝	+⅛	5.78
Ontario 6¼ 04	1500	105⅝	105¾	+⅛	5.20
Spain 7¼ 03	4000	111½	111⅝		4.87
Volkswagen Intl Fin 7 03	1000	109	109¼		5.18
World Bank 5⅞ 03	3000	105¼	105⅜		4.89
World Bank 6⅛ 02	3000	106¼	106⅜		4.63
World Bank 7⅛ 05	3000	111¼	111⅜	+⅛	5.31
SWISS FRANC STRAIGHTS					
Asian Dev Bank 0 16	800	44¼	45		4.49
Austria 4½ 00	1000	106⅜	106½	-⅛	1.95
Denmark 4¼ 99	1000	104¾	105		2.04
EIB 3¾ 99	1000	103¼	103½		1.81
EIB 6¾ 04	300	116½	116¾	+¼	4.07
Finland 7¼ 99	300	111	111⅜		2.18
Helaba Finance 3¾ 00	1000	105¼	105½		2.15
Iceland 7⅞ 00	100	115⅛	115⅝		2.43
Inter Amer Dev 4¼ 03	600	109½	110	+¼	3.02
Ontario 6¼ 03	400	116½	116⅞	+¼	2.98
Quebec Hydro 5 08	100	103¼	104⅛	-¼	4.65
SNCF 7 04	450	122½	122⅞	+⅛	3.44
Sweden 4¾ 03	500	109⅝	110¼	+⅛	3.00
World Bank 0 21	700	32½	32¾	+½	4.72
World Bank 7 01	600	115¾	116⅛	-⅛	2.44
YEN STRAIGHTS					
Belgium 5 99	75000	109¼	109½		1.13
Credit Foncier 4¾ 02	75000	112¾	113		2.08
EIB 6⅝ 00	100000	114⅜	114⅝		1.15
Ex-Im Bank Japan 4⅜ 03	105000	113⅝	113⅞	+⅛	2.06
Fed Nat Mort 2 99	100000	102¼	102⅜		1.12
Inter Amer Dev 7¼ 00	30000	116¾	117		1.23
Italy 3½ 01	300000	107¼	107½	+⅛	1.60
Italy 5 04	200000	117½	117¾	+⅛	2.40
Japan Dev Bk 5 99	100000	108⅝	108¾		1.06
Japan Dev Bk 6½ 01	120000	120	120⅛		1.54
SNCF 6¾ 00	30000	114¼	114½		1.19
Spain 5¼ 02	125000	117⅞	118⅛		1.76
World Bank 5¼ 02	250000	116¼	116½	+⅛	1.64
OTHER STRAIGHTS					
EBRD 14¾ 98 R	250	99⅝	100⅛		14.90
World Bank 15 99 R	600	100⅞	101⅝		14.17
Austria 6½ 99 R	1000	104⅜	104⅞	-⅛	3.75
PTT Nederland 6½ 08 R	1300				
Bell Canada 10⅝ 99 C$	150	110⅝	111	+⅛	4.96
British Columbia 7¾ 03 C$	1250	110¼	110½	+¼	5.77
Canada Mtg & Hsg 8¾ 99 C$	1000	106⅝	107⅛		4.79
Elec de France 9¾ 99 C$	275	109⅝	110		4.94
KfW Int Fin 10 01 C$	400	114⅞	115¼	+⅛	6.39
Nippon Tel Tel 10¼ 99 C$	200	111	111¼		5.00
Ontario 8 03 C$	1500	111⅜	111½	+¼	5.70
Ontario Hydro 9 02 C$	2000	115	115¼	+¼	5.58
Ontario Hydro 10⅞ 99 C$	500	110	110¼		4.67
Oster Kontrollbank 10¼ 99 C$	150	110¼	110⅝		4.87
Quebec Hydro 7 04 C$	1000	105⅝	106	+¼	6.06
Quebec Prov 10½ 98 C$	200	107⅞	108		4.58
Council Europe 9 01 Ecu	1100	115⅝	116		4.91
Credit Foncier 8⅜ 04 Ecu	1000	113⅞	114¼		5.63
Denmark 8½ 02 Ecu	1000	114⅞	115⅜	+⅛	4.93
EC 6 00 Ecu	1100	104½	104¾	+¼	4.50
EIB 10 01 Ecu	1150	117¼	117⅞		4.59
Finland 8½ 07 Ecu	750	118¼	118½	+⅛	5.94
Italy 9¾ 11 Ecu	2800	127⅜	127⅝	+⅛	6.21
Italy 10¾ 00 Ecu	1000	115¾	116⅛		4.58
United Kingdom 9⅛ 01 Ecu	2750	114¾	114⅞		4.69
AIDC 10 99 A$	100	107⅜	107⅞	-⅛	5.89
Comm Bk Australia 13¾ 99 A$	100	115⅝	115⅞	-⅛	6.05
EIB 7¾ 99 A$	350	105	105½		5.27
Nat Australia Bank 6¼ 99 A$	250	101	101½		5.60
NSW Treasury Zero 0 20 A$	1000	20⅜	21⅛	+½	7.04
R & I Bank 7¾ 03 A$	125	105⅝	106	+¼	6.57
State Bk NSW 9 02 A$	300	110¼	110⅝	+⅛	6.59
Sth Aust Govt Fin 9 02 A$	150	110⅛	110½	-¼	6.63
World Bank 6¾ 00 A$	100	103⅝	104⅛	-⅞	5.80
Abbey Natl Treasury 8 03 £	1000	101½	101¾	-¼	7.65
British Land 8⅞ 23 £	150	[illegible]	107⅞	-½	8.33
Denmark 6¼ 98 £	800	[illegible]	99⅜		7.44
Depfa Finance 7⅛ 08 £	500	[illegible]	97½	-⅛	7.68
EIB 8 03 £	1000	[illegible]	102⅞	-¼	7.43
Finland 7 00 £	500	[illegible]	99¼	-⅛	7.29
Glaxo Wellcome 8¾ 05 £	500	[illegible]	108⅝	-¼	7.82
HSBC Holdings 11.69 02 £	385	[illegible]	115⅝	-⅛	7.83
Italy 10½ 14 £	400	[illegible]	128	-⅛	7.58
Japan Dev Bk 7 00 £	200	[illegible]	99⅛	-⅛	7.38
Land Secs 9½ 07 £	200	[illegible]	112⅛	-⅛	7.72
Ontario 11⅛ 01 £	100	[illegible]	110½	-⅛	7.72
Powergen 8⅞ 03 £	250	[illegible]	104⅝	-⅛	7.85
Severn Trent 11½ 99 £	150	[illegible]	108⅞	-¼	7.81
Tokyo Elec Power 11 01 £	150	[illegible]	110⅞	-¼	7.73
TCNZ Fin 9¼ 02 NZ$	75	[illegible]	109½		7.10
World Bank 9 99 NZ$	250	103½	103⅝	+¼	7.06
Credit Local 6 01 FFr	8000	[illegible]	105⅞	+⅛	4.51
Denmark 5½ 99 FFr	7000	103½	103⅝	+⅛	3.87
Elec de France 8¾ 22 FFr	3000	[illegible]	130¼	+¼	6.34

FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
Abbey Natl Treasury -1/16 99	1000	99.92	100.01	5.7500
Argentina Global Fin 0 01	700	99.72	99.81	5.8164
Cades -1/16 01	2000	99.60	99.69	5.6250
Canada -⅛ 99	2000	99.80	99.87	[illegible]
CCCE 0 06 Ecu	200	99.73	99.96	4.0625
Commerzbk O/S Fin -⅛ 98	750	99.83	99.91	5.6875
Credit Lyonnais 1/16 00	300	99.82	99.92	5.7500
Dresdner Finance 1/16 98 DM	1000	[illegible]	99.98	3.2500
Fed Nat Mort -1/16 00	1000	99.77	99.87	5.6250
Finland -⅛ 99	1500	99.98	100.03	5.6875
Halifax BS 0 99	500	100.05	100.13	5.8125
IMI Bank Intl ¼ 99	500	100.35	100.44	6.0625
Italy 1/16 99	1500	100.30	100.36	5.9023
Italy ⅛ 98 Ecu	1500	100.15	100.25	4.3125
LKB Baden-Wuert Fin -⅛ 98	1000	99.93	100.00	5.8750
Lloyds Bank Perp S 0.10	600	90.88	91.86	5.6938
Malaysia 1/16 05	650	99.75	100.00	6.0625
Nova Scotia 1/16 99	500	99.99	100.07	6.0312
Ontario 0 99	2000	100.14	100.20	5.8125
Portugal 1/16 99 DM	2500	100.25	100.33	3.3086
Quebec Hydro 0 99	500	99.84	99.97	5.8164
Renfe 0 98	500	99.83	100.00	5.8750
Spain -1/16 02 DM	2000	100.05	100.10	3.0938
State Bk Victoria 0.05 99	125	99.96	100.15	5.9562
Sweden -⅛ 01	2000	100.01	100.08	5.7188
United Kingdom -⅛ 01	2000	99.92	99.95	5.5912

CONVERTIBLE BONDS	Issued	Cnv. Price	Bid	Offer	Prem.
Allied-Lyons 6¾ 08 £	200	6.04	97¼	98¼	+84.34
Fuji Intl Finance ¼ 02 Y	250000	2002	100	101	+30.00
Gold Kalgoorlie 7½ 00	65				
Grand Metropolitan 6½ 00	710				
Hong Kong Land 4 01	410				
Land Secs 6¾ 02 £	84				
Lasmo 7¾ 05 £	90	6.64	97⅝	[illegible]	+66.42
MBL Intl Fin 3 02	2000	22	105½	[illegible]	+0.24
Mitsui Bank 2⅝ 03	200	2332.6	91¼	[illegible]	
Sainsbury 8½ 05 £	200	3.37	126¼	[illegible]	+9.65
Sandoz Capital 2 02	750				
Sappi BVI Finance 7½ 02	250	76	93¾	[illegible]	
Sapporo 1⅝ 00 Y	40000	1059.4	100¾	[illegible]	+14.80
Sumitomo Bank 3⅛ 04	300	3606.9	93	[illegible]	+86.93
Sun Alliance 7¼ 08 £	155	3.9	118½	[illegible]	+25.93
Transatlantic Hldgs 5½ 09 £	250	5.05	101⅛	[illegible]	+2.13
Yamanouchi Pharm 1⅞ 00 Y	30000	2556.7	120	[illegible]	+1.65

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

 Data supplied by International Securities Market Association.

CURRENCIES AND MONEY

Emerging market currencies hurt

MARKETS REPORT

By Simon Kuper and Greta Steyn

Emerging market currencies worldwide were hit yesterday, as speculators sought new targets after the recent devaluations of the Thai baht and Czech koruna. The central banks of the Philippines, Malaysia and South Africa all defended their currencies.

Forex strategists said those emerging market countries worldwide with significant current account deficits were under most pressure. Risk in Asia was highest, said Mr Avinash Persaud, currency strategist at J.P. Morgan in London.

The D-Mark fell for the second day running, as market belief firmed that European monetary union would happen on schedule and would produce a weak euro.

The D-Mark lost half a pfennig against the dollar to close in London at DM1.762. It has now lost 1.7 pfennigs in two days, having traded in a narrow range against the US currency for months. Against the yen, the D-Mark fell further to Y63.99, its worst level since August 1995. The dollar rose Y0.2 to Y112.8 against the yen, as traders had already discounted strong Japanese current account surplus data for May.

The D-Mark fell from SKr4.420 to SKr4.384 against the Swedish krona, and from NKr4.183 to NKr4.165 against the Norwegian krone. Mr Krister Andersson, senior analyst at the Skandinaviska Enskilda Banken in Stockholm, said the Nordic countries were benefiting from their strong economic fundamentals, with Swedish stock and bond markets also performing well.

Trading in the pound was quiet, as the market awaited today's end of the Bank of England's monetary policy committee. A base rate rise of at least 25 basis points has been discounted.

■ Mr Thomas Mayer, German economist at Goldman Sachs in Frankfurt, said interest rate levels in Europe suggest the euro will be weak. He said German rates arguably should rise soon, while the strong Dutch, Finnish and Irish economies probably already required higher rates. But Germany was reluctant to raise rates, as this would annoy France, which wants a loose monetary policy to counter unemployment. And if Emu were to happen, high interest rates in southern Europe would probably fall sharply. Low rates in "Euroland" would be bad for the euro.

■ Pound in New York

Jul 9	—Latest—	— Prev. close —
£ spot	1.6840	1.6880
1 mth	1.6823	1.6863
3 mth	1.6328	1.6825
1 yr	1.6809	1.6855

■ The Malaysian central bank was yesterday rumoured to have spent $1bn-$2bn propping up the ringgit. Bank Negara broke its usual silence to say it would "not hesitate to introduce measures to curb speculative activities".

There was debate among traders as to whether this meant that capital controls were on the way. Most said the central bank aimed to keep the ringgit stronger than 2.5250 to the dollar.

The Philippine central bank also intervened heavily and kept overnight interest rates high. Mr Fidel Ramos, the Philippine president, accused "outside sources" of mounting a deliberate foreign campaign to destabilise the peso. Yesterday's peso trading - heavy again at $1.02bn - cost the central bank an estimated $630m to defend the currency. The dollar closed unchanged at 26.4 pesos. Strategists asked how long the central bank could maintain the key overnight borrowing rate at 30 per cent, a level which could hit local industries.

■ OTHER CURRENCIES

Jul 9	£	$
Czech Rp	55.0254 - 55.0951	32.6560 - 32.6780
Hungary	318.836 - 319.109	189.220 - 189.270
Iran	5058.00 - 5055.00	3000.00 - 3000.00
Kuwait	0.5095 - 0.5100	0.3024 - 0.3025
Poland	5.5689 - 5.5773	3.3050 - 3.3080
Russia	9732.56 - 9740.02	5776.00 - 5777.00
U.A.E.	6.1865 - 6.1935	3.6715 - 3.6735

■ The baht's shockwaves went well beyond Asia. In South Africa, the rand hit five-month lows against the dollar, breaking through the key R4.56 resistance level due to the general nerves in emerging markets and the weak gold price. Sentiment was also hurt by a report by DRI/McGraw Hill, the US economic consultancy, which named South Africa as the riskiest of the world's top ten emerging markets. The central bank was seen selling dollars.

"The weak link in South Africa is the absence of foreign exchange reserves," said Mr Richard Gray, emerging markets analyst at Bank of America in London. South Africa runs a current account deficit.

Taiwan's central bank yesterday bucked the global trend by pledging *not* to intervene to support its currency. The Taiwan dollar hit an eight-year low against the US dollar.

WORLD INTEREST RATES

MONEY RATES

July 9	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.00	2.50	-
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.10	-	4.75
Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.50	2.50	3.00
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.75
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.75	6.25	6.82
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	2.50	2.80
Switzerland	1½	1½	[illegible]	[illegible]	[illegible]	-	1.00	-
US	5½	[illegible]	[illegible]	[illegible]	[illegible]	-	5.00	-
Japan	½	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	[illegible]	[illegible]	[illegible]	[illegible]			
US Dollar CDs	-	5.44	5.55	5.62	5.76	-	-	-
ECU Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
SDR Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds)

EURO CURRENCY INTEREST RATES

Jul 9	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
German Mark	[illegible]	3⅛ - 3	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	3⅛ - 3	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	6 - 5½	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	1¾ - 1¼	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canadian Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4⅛ - 4
US Dollar	5⅝ - 5½	5⅝ - 5½	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japanese Yen	[illegible]	½ - ⅜	[illegible]	[illegible]	⅝ - ½	[illegible]
Asian $Sing	2⅛ - 2	[illegible]	3¼ - 3⅛	3½ - 3⅜	[illegible]	[illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	96.59	96.58	-0.02	96.58	96.56	13,273	77,857
Dec	96.54	96.55	-0.01	96.55	96.53	5,169	34,225
Mar	96.51	96.50	-0.01	96.50	96.49	4,896	30,010

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	96.84	96.85	+0.01	96.85	96.84	13124	285369
Dec	96.77	96.78	-	96.79	96.77	13020	265803
Mar	96.69	96.69	-	96.71	96.68	14127	247663
Jun	96.55	96.55	-	96.58	96.54	13511	161198

■ ONE MONTH EUROMARK FUTURES (LIFFE)* DM3m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jul		96.90	+0.01			0	431
Aug		96.88	-			0	290
Sep		96.87	-0.01			0	3
Oct		96.85	-0.01			0	50

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	93.44	93.40	-0.04	93.46	93.38	17535	112227
Dec	93.86	93.83	-0.03	93.89	93.81	13076	85884
Mar	94.20	94.20	-	94.25	94.17	11580	49800
Jun	94.47	94.47	+0.03	94.52	94.44	9384	37017

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	98.46	98.50	+0.05	98.55	98.46	13989	64243
Dec	98.31	98.35	+0.06	98.39	98.31	7732	43320
Mar	98.24	98.26	+0.06	98.29	98.24	1891	18567
Jun	98.12	98.12	+0.05	98.16	98.12	596	6161

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	99.33	99.33	+0.03	99.33	99.33	90	n/a
Dec	99.19	99.19	+0.03	99.19	99.19	13	n/a
Mar		99.00	+0.05			0	n/a

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.84	95.80	-0.03	95.84	95.80	657	9059
Dec	95.82	95.79	-0.02	95.82	95.81	220	6264
Mar	95.81	95.79	-0.02	95.82	95.80	105	4258
Jun	95.80	95.78	-0.01	95.80	95.79	78	3050

* LIFFE futures also traded on APT

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
9325	0.24	0.65	1.03	0.09	0.07	0.08
9350	0.10	0.45	0.82	0.20	0.12	0.12
9375	0.03	0.28	0.63	0.38	0.20	0.18

Est. vol. total, Calls 8601 Puts 2892. Previous day's open int., Calls 96311 Puts 52178

POUND SPOT FORWARD AGAINST THE POUND

Jul 9		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	20.8961	-0.013	844 - 077	20.9577	20.8587	20.8417	3.1	20.729	3.2	20.2235	3.2	102.1
Belgium	(BFr)	61.3067	-0.0634	481 - 653	61.4330	61.0280	61.1396	3.3	60.7968	3.3	59.255	3.3	101.6
Denmark	(DKr)	11.3143	-0.0036	092 - 193	11.3443	11.2914	11.287	2.9	11.2296	3.0	10.9801	3.0	103.8
Finland	(FM)	8.8015	-0.0324	930 - 099	8.8370	8.7920	8.7762	3.5	8.7237	3.5	8.511	3.3	82.0
France	(FFr)	10.0275	+0.0027	232 - 317	10.0454	10.0035	10.0014	3.1	9.9468	3.2	9.7021	3.2	104.2
Germany	(DM)	2.9697	-0.0018	681 - 712	2.9799	2.9633	2.9613	3.4	2.9439	3.5	2.8672	3.5	102.4
Greece	(Dr)	466.504	-1.136	189 - 820	468.194	465.196	468.267	-4.6	470.911	-3.8	479.279	-2.7	65.2
Ireland	(I£)	1.1100	+0.001	078 - 121	1.1125	1.1074	1.1097	0.4	1.1086	0.5	1.1006	0.9	99.3
Italy	(L)	2897.88	+3.14	801 - 975	2900.89	2886.81	2897.96	0.0	2897.89	0.0	2896.33	0.1	78.0
Luxembourg	(LFr)	61.3067	-0.0634	481 - 653	61.4330	61.0280	61.1396	3.3	60.7963	3.3	59.255	3.3	101.6
Netherlands	(Fl)	3.3433	-0.0025	419 - 447	3.3540	3.3376	3.3339	3.4	3.3148	3.4	3.2309	3.4	100.9
Norway	(NKr)	12.3675	-0.0612	613 - 737	12.4395	12.3544	12.3348	3.2	12.269	3.2	12.0093	2.9	95.9
Portugal	(Es)	299.699	-0.852	526 - 872	300.651	299.204	299.543	0.6	299.013	0.9	294.925	1.6	92.6
Spain	(Pta)	250.853	-0.445	694 - 012	251.590	250.410	250.599	1.2	249.925	1.5	246.307	1.8	76.6
Sweden	(SKr)	13.0187	-0.115	085 - 289	13.1414	13.0076	12.9943	2.2	12.942	2.4	12.7816	2.2	84.7
Switzerland	(SFr)	2.4672	-0.0099	660 - 683	2.4757	2.4638	2.4567	5.1	2.4354	5.1	2.3447	5.0	104.7
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	104.1
Ecu	-	1.5076	-0.0021	058 - 094	1.5112	1.5041	1.5047	2.3	1.4982	2.5	1.4686	2.6	-
SDR	-	1.216160	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6853	-0.0056	848 - 858	1.6897	1.6828	-	-	-	-	-	-	-
Brazil	(R$)	1.8194	-0.0052	188 - 200	1.8230	1.8160	-	-	-	-	-	-	-
Canada	(C$)	2.3163	-0.0064	152 - 174	2.3210	2.3103	2.3095	3.5	2.2963	3.5	2.2468	3.0	84.9
Mexico	(New Peso)	13.3054	-0.0729	930 - 177	13.3445	13.2920	-	-	-	-	-	-	-
USA	($)	1.6856	-0.0056	850 - 860	1.6900	1.6830	1.6838	1.2	1.68	1.3	1.6627	1.3	102.3
Pacific/Middle East/Africa													
Australia	(A$)	2.2632	+0.0026	617 - 646	2.2732	2.2564	2.2626	0.3	2.2607	0.4	2.2506	0.6	91.2
Hong Kong	(HK$)	13.0508	-0.0439	456 - 550	13.0845	13.0315	13.0493	0.1	13.0428	0.2	12.9878	0.5	-
India	(Rs)	60.2651	-0.2341	051 - 251	60.4400	60.2040	60.4603	-3.9	60.8608	-4.0	62.5406	-3.8	-
Israel	(Shk)	6.0016	-0.0337	829 - 202	6.0279	5.9817	-	-	-	-	-	-	-
Japan	(Y)	190.040	-0.361	933 - 147	191.050	189.620	189.065	6.2	187.11	6.2	178.825	5.9	135.5
Malaysia	(M$)	4.2203	-0.0173	182 - 224	4.2313	4.2101	4.2245	-1.2	4.2325	-1.2	4.2512	-0.7	-
New Zealand	(NZ$)	2.5039	+0.0026	019 - 059	2.5100	2.4943	2.5037	0.1	2.5047	-0.1	2.5118	-0.3	110.3
Philippines	(Peso)	44.5057	-0.1394	166 - 947	44.5854	44.4084	44.6655	-4.3	44.915	-3.7	45.9719	-3.3	-
Saudi Arabia	(SR)	6.3217	-0.0209	196 - 237	6.3383	6.3124	6.3182	0.7	6.3098	0.8	6.2733	0.8	-
Singapore	(S$)	2.4213	-0.008	197 - 228	2.4282	2.4185	2.4167	2.3	2.4068	2.4	2.3584	2.6	-
South Africa	(R)	7.6968	-0.0011	920 - 016	7.7026	7.6726	7.7575	-9.5	7.8754	-9.3	8.3124	-8.0	-
South Korea	(Won)	1496.73	-4.97	291 - 054	1501.57	1491.84	-	-	-	-	-	-	-
Taiwan	(T$)	47.0761	-0.1394	284 - 237	47.1949	47.0199	47.0595	0.4	47.0197	0.5	46.822	0.5	-
Thailand	(Bt)	48.9386	-0.2471	819 - 952	49.0860	48.5650	49.2752	-8.3	49.7368	-6.5	50.767	-3.7	-

† Rates for Jul 8. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.
The exchange rates printed in this table are also available on the internet at http://www.FT.com

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jul 9		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan index
Europe													
Austria	(Sch)	12.3976	+0.0334	943 - 008	12.4160	12.3680	12.3736	2.3	12.3246	2.4	12.1006	2.4	101.8
Belgium	(BFr)	36.3730	+0.083	490 - 970	36.4260	36.1800	36.298	2.5	36.1465	2.5	35.453	2.5	101.7
Denmark	(DKr)	6.7127	+0.0201	117 - 137	6.7220	6.6947	6.701	2.1	6.6767	2.1	6.5703	2.1	103.3
Finland	(FM)	5.2219	-0.0019	184 - 253	5.2433	5.2120	5.2104	2.7	5.1867	2.7	5.0929	2.5	81.4
France	(FFr)	5.9493	+0.0213	485 - 500	5.9585	5.9300	5.9378	2.3	5.9139	2.4	5.8051	2.4	103.6
Germany	(DM)	1.7619	+0.0047	615 - 623	1.7655	1.7579	1.7581	2.6	1.7503	2.6	1.7153	2.6	102.1
Greece	(Dr)	276.775	+0.245	670 - 880	278.190	276.050	278.07	-5.6	280.125	-4.8	287.275	-3.8	64.7
Ireland	(I£)	1.5185	-0.0065	160 - 210	1.5231	1.5150	1.5177	0.6	1.5168	0.4	1.5172	0.1	-
Italy	(L)	1719.30	+7.55	870 - 990	1720.50	1710.70	1721.07	-1.2	1724.08	-1.1	1727.5	-0.5	76.0
Luxembourg	(LFr)	36.3730	+0.083	490 - 970	36.4260	36.1800	36.298	2.5	36.1465	2.5	35.453	2.5	101.7
Netherlands	(Fl)	1.9836	+0.0051	833 - 838	1.9891	1.9793	1.9793	2.6	1.9708	2.6	1.9331	2.5	101.0
Norway	(NKr)	7.3376	-0.0119	361 - 391	7.3695	7.3330	7.3232	2.4	7.2947	2.3	7.183	2.1	95.1
Portugal	(Es)	177.810	+0.085	760 - 860	178.100	177.500	177.774	0.2	177.72	0.2	176.55	0.7	92.9
Spain	(Pta)	148.830	+0.23	780 - 880	149.070	148.270	148.785	0.4	148.61	0.6	147.435	0.9	76.2
Sweden	(SKr)	7.7240	-0.0424	202 - 277	7.7921	7.7200	7.7149	1.4	7.6956	1.5	7.6216	1.3	83.7
Switzerland	(SFr)	1.4638	-0.001	635 - 640	1.4670	1.4618	1.4585	4.4	1.4478	4.4	1.4023	4.2	104.2
UK	(£)	1.6855	-0.0056	850 - 860	1.6900	1.6830	1.6838	1.2	1.68	1.3	1.6627	1.3	103.8
Ecu	-	1.1180	-0.0022	170 - 190	1.1215	1.1162	1.1195	-1.6	1.1227	-1.7	1.1382	-1.8	-
SDR†	-	0.71788	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	-	999 - 999	0.9999	0.9999	-	-	-	-	-	-	-
Brazil	(R$)	1.0795	+0.0005	794 - 795	1.0798	1.0790	-	-	-	-	-	-	-
Canada	(C$)	1.3743	-0.0004	740 - 745	1.3747	1.3723	1.3712	2.8	1.3655	2.6	1.3449	2.1	84.6
Mexico	(New Peso)	7.8940	-0.017	890 - 990	7.8995	7.8860	8.0025	-16.5	8.2135	-16.2	9.124	-15.6	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	103.2
Pacific/Middle East/Africa													
Australia	(A$)	1.3427	+0.0061	423 - 432	1.3451	1.3407	1.3425	0.2	1.3419	0.2	1.3376	0.4	93.4
Hong Kong	(HK$)	7.7427	-0.0003	422 - 432	7.7435	7.7420	7.7432	-0.1	7.7441	-0.1	7.7464	0.0	-
India	(Rs)	35.7550	-0.02	300 - 800	35.7820	35.7270	35.8925	-4.6	36.1775	-4.7	37.39	-4.6	-
Israel	(Shk)	3.5607	-0.0082	507 - 707	3.5721	3.5495	-	-	-	-	-	-	-
Japan	(Y)	112.750	+0.16	720 - 780	113.300	112.400	112.235	5.5	111.235	5.4	106.935	5.2	136.9
Malaysia	(M$)	2.5039	-0.0019	034 - 044	2.5050	2.4960	2.5084	-2.2	2.5174	-2.2	2.5474	-1.7	-
New Zealand	(NZ$)	1.4856	+0.0065	848 - 863	1.4865	1.4845	1.4864	-0.6	1.4888	-0.9	1.4989	-0.9	-
Philippines	(Peso)	26.4050	+0.005	600 - 500	26.4510	26.3590	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7506	-	505 - 507	3.7508	3.7504	3.7513	-0.2	3.7523	-0.2	3.7569	-0.2	-
Singapore	(S$)	1.4365	-	360 - 370	1.4385	1.4358	1.4348	1.5	1.431	1.5	1.4115	1.7	-
South Africa	(R)	4.5665	+0.0145	650 - 680	4.5690	4.5475	4.607	-10.6	4.6865	-10.5	4.989	-9.3	-
South Korea	(Won)	888.000	-	000 - 000	890.100	885.700	-	-	-	-	-	-	-
Taiwan	(T$)	27.9300	+0.01	100 - 500	27.9540	27.9070	27.941	-0.5	27.95	-0.3	28.0425	-0.4	-
Thailand	(Bt)	29.0350	-0.05	100 - 600	29.1000	28.8000	29.48	-18.4	30.185	-15.8	31.415	-8.2	-

† SDR rate per $ for Jul 8. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Jul 8: Base average 1990=100.
The exchange rates printed in this table are also available on the internet at http://www.FT.com

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Jul 9		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.46	16.36	4.844	1.811	4727	5.454	20.17	488.9	409.2	21.24	4.024	1.631	3.778	2.749	310.0	2.459
Denmark	(DKr)	54.19	10	8.863	2.625	0.981	2561	2.955	10.93	264.9	221.7	11.51	2.181	0.884	2.047	1.490	168.0	1.332
France	(FFr)	61.14	11.28	10	2.962	1.107	2890	3.334	12.33	298.9	250.2	12.98	2.460	0.997	2.310	1.681	189.5	1.503
Germany	(DM)	20.64	3.810	3.377	1	0.374	975.8	1.126	4.165	100.9	84.47	4.384	0.831	0.337	0.780	0.568	63.99	0.508
Ireland	(I£)	55.23	10.19	9.034	2.675	1	2611	3.012	11.14	270.0	226.0	11.73	2.223	0.901	2.087	1.519	171.2	1.358
Italy	(L)	2.116	0.390	0.346	0.102	0.038	100	0.115	0.427	10.34	8.656	0.449	0.085	0.035	0.080	0.058	6.558	0.052
Netherlands	(Fl)	18.34	3.384	2.999	0.888	0.332	866.8	1	3.699	89.64	75.03	3.894	0.738	0.299	0.693	0.504	56.84	0.451
Norway	(NKr)	49.57	9.148	8.108	2.401	0.898	2343	2.703	10	242.3	202.8	10.53	1.995	0.809	1.873	1.363	153.7	1.219
Portugal	(Es)	20.46	3.775	3.346	0.991	0.370	966.9	1.116	4.127	100	83.70	4.344	0.823	0.334	0.773	0.562	63.41	0.503
Spain	(Pta)	24.44	4.510	3.997	1.184	0.442	1155	1.333	4.930	119.5	100	5.190	0.984	0.399	0.923	0.672	75.76	0.601
Sweden	(SKr)	47.09	8.691	7.702	2.281	0.853	2226	2.568	9.500	230.2	192.7	10	1.895	0.768	1.779	1.295	146.0	1.158
Switzerland	(SFr)	24.85	4.586	4.064	1.204	0.450	1175	1.355	5.013	121.5	101.7	5.277	1	0.405	0.939	0.683	77.03	0.611
UK	(£)	61.31	11.31	10.03	2.970	1.110	2898	3.343	12.37	299.7	250.9	13.02	2.467	1	2.316	1.686	190.0	1.508
Canada	(C$)	26.47	4.884	4.329	1.282	0.479	1251	1.443	5.339	129.4	108.3	5.620	1.065	0.432	1	0.728	82.04	0.651
USA	($)	36.37	6.713	5.949	1.762	0.659	1719	1.984	7.336	177.8	148.8	7.724	1.464	0.593	1.374	1	112.8	0.894
Japan	(Y)	32.26	5.954	5.277	1.563	0.584	1525	1.759	6.506	157.7	132.0	6.851	1.298	0.526	1.219	0.887	100	0.793
Ecu	-	40.67	7.506	6.651	1.970	0.736	1922	2.218	8.203	198.8	166.4	8.635	1.637	0.663	1.536	1.118	126.1	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.5705	0.5700	-0.0008	0.5716	0.5698	19,716	108,443
Dec	0.5743	0.5734	-0.0012	0.5743	0.5734	186	1,085
Mar	0.5781	0.5781	-0.0003	0.5781	0.5781	5	230

■ JAPANESE YEN FUTURES (IMM) Yen 12.5m per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.8954	0.8958	+0.0005	0.8960	0.8910	15,262	59,080
Dec	-	0.9071	+0.0002	0.9071	0.9063	218	1,002
Mar	-	0.9190	-	-	-	3	108

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.6877	0.6880	+0.0001	0.6893	0.6873	6,492	51,777
Dec	0.6958	0.6958	+0.0006	0.6962	0.6955	178	1,072
Mar	-	0.7027	-	-	-	50	161

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	1.6842	1.6818	-0.0036	1.6858	1.6790	7,719	63,193
Dec	-	1.6760	-0.0036	-	1.6750	180	902
Mar	-	1.6690	-0.0048	-	1.6680	1	2

UK INTEREST RATES

LONDON MONEY RATES

Jul 9	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6 - 5	6½ - 6⅜	[illegible]	[illegible]	7¼ - 7⅛	7½ - 7⅜
Sterling CDs	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills	-	-	[illegible]	[illegible]	-	-
Bank Bills	-	-	[illegible]	[illegible]	[illegible]	-
Local authority deps.	6¼ - 6⅛	6½ - 6⅜	[illegible]	[illegible]	[illegible]	[illegible]
Discount Market deps	[illegible]	[illegible]	-	-	-	-

UK clearing bank base lending rate 6½ per cent from Jun 6, 1997

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1¼pc.
Ave. tender rate of discount on Jul 4, 6.5963pc. ECGD fixed rate Stlg. Export Finance. Make up day Jun 30, 1997. Agreed rate for period Jul 26, 1997 to Aug 25, 1997, Scheme III 7.98pc. Reference rate for period May 31, 1997 to Jun 30, 1997, Schemes IV & V 6.738pc. Finance House Base Rate 7pc from Jul 1, 1997

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	92.81	92.78	-0.02	92.82	92.78	21010	136696
Dec	92.60	92.55	-0.03	92.60	92.55	27989	137013
Mar	92.51	92.45	-0.03	92.51	92.44	11762	100227
Jun	92.48	92.43	-0.04	92.48	92.42	10145	62960
Sep	92.50	92.44	-0.04	92.51	92.43	6378	43416

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
9275	0.14	0.10	0.14	0.11	0.30	0.44
9300	0.03	0.03	0.07	0.25	0.48	0.62
9325	0	0	0.03	0.47	0.70	0.83

Est. vol. total, Calls 2742 Puts 11597. Previous day's open int., Calls 140683 Puts 131124

EMS EUROPEAN CURRENCY UNIT RATES

Jul 9	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Finland	5.85424	5.86463	-0.01672	0.18	3.05	-1
Italy	1906.48	1925.09	-0.07	0.98	2.23	-7
Portugal	197.398	199.472	-0.26	1.05	2.16	-7
Ireland	0.798709	0.739264	-0.002382	-7.44	11.53	50
Spain	163.826	166.916	-0.053	1.89	1.32	-13
Denmark	7.34555	7.52718	-0.00076	2.47	0.74	-17
Netherlands	2.16979	2.22499	-0.00017	2.54	0.67	-19
Germany	1.92573	1.97620	-0.00039	2.62	0.60	-26
Austria	13.5485	13.9052	-0.003	2.63	0.58	-19
Belgium	39.7191	40.7865	-0.0011	2.69	0.53	-20
France	6.45863	6.66734	+0.00155	3.23	0.00	-27
NON ERM MEMBERS						
Greece	295.269	310.323	-0.751	5.10	-1.78	-
UK	0.793103	0.665917	+0.000513	-15.04	22.95	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. 17/9/92: Sterling suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Jul	CALLS Aug	CALLS Sep	PUTS Jul	PUTS Aug	PUTS Sep
1.650	3.63	-	4.46	-	0.64	1.15
1.660	2.65	3.35	3.77	0.02	0.90	1.42
1.670	1.79	2.68	3.15	0.11	1.18	1.80

Previous day's vol., Calls 1,387 Puts 3,100. Prev. day's open int., Calls 30,577 Puts 35,380

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

Strike Price	CALLS Jul	CALLS Aug	CALLS Sep	PUTS Jul	PUTS Aug	PUTS Sep
0.570	0.14	0.56	0.83	0.27	0.61	0.77
0.575	0.04	0.37	0.60	0.67	0.88	1.05
0.580	0.02	0.22	0.42	1.16	1.24	1.36

Previous day's vol., Calls 835 Puts 871. Prev. day's open int., Calls 10,464 Puts 17,191

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	94.22	94.23	+0.01	94.24	94.22	40,981	549,367
Dec	94.06	94.08	+0.02	94.09	94.05	50,934	446,062
Mar	94.00	94.03	+0.50	94.04	94.01	40,434	67,153

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	94.90	94.92	+0.03	94.92	94.89	293	8,161
Dec	-	94.76	+0.01	94.76	-	10	554

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Jul	CALLS Aug	CALLS Sep	CALLS Dec	PUTS Jul	PUTS Aug	PUTS Sep	PUTS Dec
9675	0.10	0.11	0.12	0.10	0	0.01	0.02	0.07
9700	0	0	0.01	0.02	0.15	0.15	0.16	0.24
9725	0	0	0	0	0.40	0.40	0.40	0.47

Est. vol. total, Calls 7863 Puts 3726. Previous day's open int., Calls 346111 Puts 255863

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
9875	0.03	0.06	0.08	0.28	0.46	0.57
9900	0	0.02	0.03	0.50	0.67	0.77

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 3025 Puts 3255

BASE LENDING RATES

	%		%		%
Adam & Company	6.50	Duncan Lawrie	6.50	Scottish Widows Bank	6.50
Allied Irish Bank (GB)	6.50	Exeter Bank Limited	7.50	●Singer & Friedlander	6.50
●Henry Ansbacher	6.50	Financial & Gen Bank	7.50	●Smith & Williamson Secs	6.50
Bank of Baroda	6.50	●Robert Fleming & Co	6.50	Sun Banking Corp Ltd	6.50
Banco Bilbao Vizcaya	6.50	●Guinness Mahon	6.50	TSB	6.50
Bank of Cyprus	6.50	Habib Bank AG Zurich	6.50	United Bank of Kuwait	6.50
Bank of Ireland	6.50	●Hambros Bank	6.50	Unity Trust Bank Plc	6.50
Bank of India	6.50	Heritable & Gen Inv Bk	6.50	Western Trust	6.50
Bank of Scotland	6.50	C. Hoare & Co	6.50	Whiteaway Laidlaw	6.50
Barclays Bank	6.50	Hongkong & Shanghai	6.50	Yorkshire Bank	6.50
Brit Bk of Mid East	6.50	Investec Bank (UK) Ltd	6.50		
●Brown Shipley & Co Ltd	6.50	Julian Hodge Bank	6.50	● Members of London Investment Banking Association	
Citibank NA	6.50	●Leopold Joseph & Sons	6.50	* In administration	
Clydesdale Bank	6.50	Lloyds Bank	6.50		
The Co-operative Bank	6.50	Midland Bank	6.50		
Coutts & Co	6.50	NatWestminster	6.50		
Cyprus Popular Bank	6.50	●Rea Brothers	6.50		
		Royal Bk of Scotland	6.50		

COMMODITIES AND AGRICULTURE

EU farmers attack shake-up plan

By Neil Buckley in Brussels

Farming leaders have branded European Commission proposals for steep cuts in farm support prices and a radical shake-up of agricultural policy as "unacceptable" and a threat to the existence of Europe's farmers.

Copa, the committee of agricultural organisations in the European Union, said a meeting of its presidium next week would "take its responsibility to save agriculture from this aggression".

The Commission's proposals – first revealed in the Financial Times on Tuesday – will be presented by Mr Jacques Santer, Commission president, to the European Parliament next Wednesday.

They are a key part of the so-called Agenda 2000 package of reforms designed to prepare for EU enlargement.

But a week before they are officially unveiled, farmers have signalled they will fight the proposals, drawn up by Mr Franz Fischler, agriculture commissioner. EU talks on the plans start in the autumn.

Mr Fischler wants to cut intervention prices – the price at which Brussels steps in to buy up surplus stocks on the market – to bring EU market prices down towards world levels. This would allow more exports and avoid new food mountains and intolerable strains on the EU budget.

The farm commissioner wants to cut grain, beef and milk support prices. The system of direct payments to compensate farmers, established when the Ecu40bn common agricultural policy was last reformed in 1992, would be extended.

But Mr Luc Guyau, Copa's president, told his members yesterday that the proposals were "unacceptable for European agriculture". The farm lobby says the proposed increases in direct aid are not big enough.

A Copa official said grain compensation payments would be increased by only Ecu12 a tonne, from Ecu54 to Ecu66 – only half the Ecu24 cut in the support price. The lobby is also opposed to plans to give EU states more autonomy in distributing aid payments, and setting ceilings on aid to individual farmers to prevent abuse by large landowners, the "grain barons".

Medfly bugs citrus farmers in Florida

Florida agriculture officials believe they are winning their battle to destroy an infestation of Mediterranean fruit flies which threatens the state's billion-dollar citrus industry.

Because the first Medfly was discovered in May, officials are confident that the infestation will be under control well before the next shipping season starts in September.

But the six-week fight has cast a shadow over Florida's hopes to export fresh citrus to China and Mexico. It has also raised questions about the adequacy of measures to monitor Medflies and how to deal with outbreaks.

For the citrus industry and agriculture officials, there was no alternative to aggressive action against *Ceratitis capitata*. The female insect lays eggs within ripening fruit, where larvae feed on the pulp. "Not appealing" is the Florida Department of Citrus's description of the result.

Mr Terry Medley, administrator of the US Department of Agriculture's animal and plant health inspection service, said: "The Medfly can cause serious economic losses. Heavy infestations can cause complete losses of crops, and losses of 25-50 per cent are not uncommon."

The US Department of Agriculture last month placed Hillsborough County, where the first Medfly was found, under quarantine, restricting the movement of citrus and other products out of the area.

The eradication programme has revealed tensions between Florida's $6bn agriculture industry – its second biggest business after tourism – and an increasingly urban population.

The pesticide malathion has been sprayed by helicopters and DC-3 aircraft over a 400 sq mile area populated by an estimated 1m people.

There have been complaints about harm to cars' paintwork from the corn fructose "bait" which is laced with malathion; about damage to other economic interests such as tropical fish farms and organic vegetable growers; and contamination of air and water.

Mr Roger Stewart, head of the county's Environmental Protection Commission, said local residents had "the right not to be sprayed against their will".

Mishandled public relations made matters worse. Florida's deputy agriculture commissioner was widely mocked after she offered to drink daily the "safe" dose of 16mg of malathion.

For the industry, economic concerns outweigh any qualms. USDA officials have discussed the issue with China, which is likely to send observers to view the eradication programme.

Florida has been lucky because the outbreak is on the fringe of the state's citrus belt, which has shifted south in recent years to minimise destructive freezes.

Only one small infestation has been found in neighbouring Polk County, which produces more citrus than any other in the state. The prime growing area for grapefruit – the state's main fresh citrus export – is on the opposite coast.

The outbreak could have started from a single infected fruit, but officials admit gaps in detection allowed the Medfly to get a head start. Mr Richard Gaskalla, head of the Florida Department of Agriculture's division of Plant Industry, said there should be at least 10 traps a sq mile and that these had to be checked every 21 days.

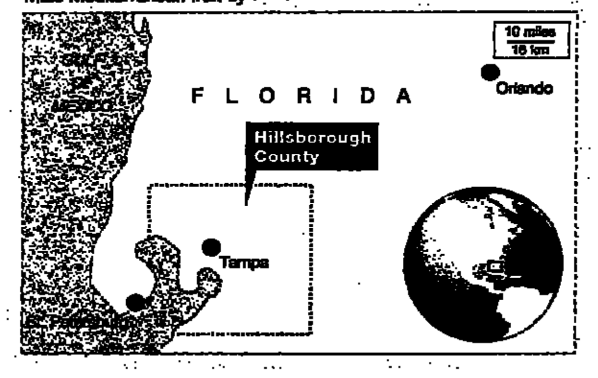
However, there were fewer traps in some highly vulnerable areas and the USDA had been two weeks behind schedule in checking some of them, he said. This appeared to have been an economy measure.

Agriculture officials and environmental critics want more research into biological methods of control. Sterile male Medflies are likely to be released in Florida later this month, following the example of California. But officials fear sterile Medflies are less appropriate for Florida, because such a wide region would have to be covered.

Clay Harris

Sucking out the juice

Male Mediterranean fruit fly



Copper hit by supply worries

MARKETS REPORT

By Michael Peel

Copper touched its lowest levels for over four months yesterday amid worries of oversupply.

It ended the day at $2,388 a tonne, down $117.50. The metal has now fallen 14 per cent since it peaked at $2,609 in mid-June.

Yesterday's drop was due to reports of large shipments of copper from China to the west. "There seems to have been a sea-change in the sentiment in copper," said Mr Angus MacMillan, analyst at Billiton Metals. "The bulls had been pinning their hopes on the Chinese coming to the rescue and sucking up the excess of western production, but that doesn't seem to be the case."

Gold held reasonably steady despite a speech by Mr John Howard, the Australian prime minister, describing the sale of two-thirds of the Australian Reserve bank's stockpile as "sensible" and "prudent".

Gold fixed yesterday afternoon at $317.30 a troy ounce, down $3.50. "There was a bit of producer selling in the morning and a bit of short covering in the afternoon," said Mr Andy Smith, analyst at UBS.

"There are still plenty of short positions around that are looking to take profits and that is giving some stability," he added.

Nickel continued to benefit from news of a possible strike at Falconbridge's mine in Sudbury, Ontario, although the gains were limited by producer selling. The metal closed $35 higher at $6,785. "It's either existing producers or producers with plans for new capacity who are locking in prices," said Ms Rhona O'Connell, analyst at T. Hoare & Co.

COMMODITIES NEWS DIGEST

Sri Lanka delays plantation sell-off

The Sri Lankan government is to delay the sale of Elkaduwa Plantations because of lack of investor interest. A 51 per cent stake in Elkaduwa was to be offered for sale yesterday. The stake consisted of 10.2m shares at a minimum ceiling price of Rs30 a share. An official of the Public Enterprise Reform Commission said the government was considering reducing the minimum bid price.

Tea analysts say that Elkaduwa tea plantations have been poorly managed with teas grown in mid-elevation, which did not enjoy the same high demand as those grown in lower and higher elevations. Elkaduwa manages 13 estates, with a combined area of 17,100 acres, consisting of tea, rubber and coconut plantations.

The government has privatised 18 plantation companies, of a total of 23, since 1995, with the remainder expected to be sold by the end of this year. To date this year, the state has sold five plantations and has raised Rs3.1bn ($58.7m). *AP-DJ Colombo*

■ WHEAT

Wet weather hits Croatia harvest

Wet weather has delayed the 1997 wheat harvest and damaged crops across Croatia, putting into question the government's 800,000-tonne target, an independent analyst said yesterday.

"Wheat is not being harvested because of dampness, and no-one knows when the harvest can resume," an analyst with the Croatian grain producers' association said.

Farmers planted some 250,000 ha to wheat last autumn, 30 per cent more than a year earlier. The planned wheat crop would have exceeded national demand and left a surplus for export. But only 15 per cent of the crop has been harvested so far in the largest grain area, around Osijek in eastern Slavonia. Recent rains and hailstorms have inflicted considerable damage in wheat and maize fields in that and other areas of Croatia.

"This is a pity because yields seemed quite promising and now there will be some serious losses due to washing out and deterioration in the quality of the grain," the analyst said.

He said only barley and rapeseed had been harvested, achieving good yields before the wet spell began 10 days ago, but declined to speculate on wheat crop losses until damage had been fully assessed. *Reuter, Zagreb*

■ SUGAR BEET

Ukraine expects improved yields

Ukraine has forecast a sugar beet crop of 30m-31m tonnes in 1997, up from 24m tonnes in 1996, according to Mr Valentyn Poshyvailo, deputy economy minister. He added that beet sowing reached 1.1m ha this year compared with 1.8m ha last year.

Mr Poshyvailo said yields were 3 tonnes a hectare at the start of this month, against 2.8 tonnes at the same time last year. Previous government forecasts put the sugar beet crop at 24m tonnes, but Mr Poshyvailo said more favourable weather conditions had set in compared with last year, when a drought at the beginning of the growing season damaged plants. *Reuter, Kiev*

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1540-41	1569-70
Previous	1539-40	1568-69
High/low		1574/1542
AM Official	1528-29	1557-58
Kerb close		1568-9
Open int.	259,729	
Total daily turnover	124,786	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1390-400	1420-25
Previous	1402-07	1432-34
High/low		1430/1410
AM Official	1390-92	1415-20
Kerb close		1415-20
Open int.	5,356	
Total daily turnover	1,664	

■ LEAD ($ per tonne)

Close	633.5-4.5	648-9
Previous	635.5-36.5	648.5-49.5
High/low	637	652/645
AM Official	638-39	651-51.5
Kerb close		649-50
Open int.	35,939	
Total daily turnover	10,273	

■ NICKEL ($ per tonne)

Close	6780-90	6895-900
Previous	6745-55	6860-70
High/low	6745/6751	6920/6830
AM Official	6751-52	6860-65
Kerb close		6880-90
Open int.	52,336	
Total daily turnover	12,427	

■ TIN ($ per tonne)

Close	5465-75	5520-30
Previous	5470-80	5525-30
High/low	5485/5475	5540/5510
AM Official	5475-85	5520-25
Kerb close		5500-10
Open int.	13,757	
Total daily turnover	3,757	

■ ZINC, special high grade ($ per tonne)

Close	1451.5-2.5	1463-4
Previous	1436.5-37.5	1449-50
High/low		1465/1445
AM Official	1439-39.5	1451.5-52.5
Kerb close		1462-3
Open int.	99,422	
Total daily turnover	33,467	

■ COPPER, grade A ($ per tonne)

Close	2388.5-9.5	2271.5-2.5
Previous	2504-07	2370-71
High/low	2398/2395	2302/2230
AM Official	2395-96	2271-72
Kerb close		2237-8
Open int.	152,092	
Total daily turnover	117,923	

■ LME AM Official £/$ rate: 1.6865
LME Closing £/$ rate: 1.6845

Spot: 1.6841 3 mths: 1.6788 6 mths: 1.6723 9 mths: 1.6659

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	105.05	-2.35	107.40	104.00	692	6,181
Aug	103.20	-2.30	105.20	102.50	205	3,684
Sep	102.50	-2.55	103.40	101.50	11,905	23,770
Oct	101.40	-2.15	103.50	101.00	162	1,285
Nov	101.10	-2.05	102.50	100.50	57	1,228
Dec	100.50	-2.30	103.00	99.80	1,784	6,549
Total					15,029	49,564

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	319.20-319.70		
Opening	315.80-316.20		
Morning fix	315.75	187.100	462.353
Afternoon fix	317.30	188.187	466.003
Day's High	320.10-320.40		
Day's Low	315.10-315.50		
Previous close	320.70-321.20		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	3.50	6 months	3.51
2 months	3.48	12 months	3.67
3 months	3.49		

Silver Fix	p/troy oz.	US cts equiv.
Spot	253.70	427.75
3 months	257.40	432.55
6 months	261.15	437.40
1 year	269.20	447.80
Gold Coins	**$ price**	**£ equiv.**
Krugerrand	316-318	187-189
Maple Leaf	-	-
New Sovereign	73-76	43-45

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	318.2	-2.0	-	-	56,992	-
Aug	318.9	-2.1	321.3	318.2	46,077	115.1k
Oct	320.5	-2.3	323.0	318.0	4,006	10,788
Dec	322.5	-2.3	324.8	320.0	6,943	36,573
Feb	324.6	-2.4	327.2	323.2	3,048	9,178
Apr	326.7	-2.4	327.2	326.0	16	4,862
Total					83,572	217,986

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	398.1	-5.4	406.0	398.0	254	936
Oct	381.1	-5.4	388.0	379.0	2,304	10,353
Jan	376.1	-5.4	380.0	375.0	32	1,886
Apr	376.1	-5.4	-	-	6	149
Total					2,696	13,304

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	154.75	-9.00	155.50	154.75	847	5,116
Dec	151.25	-7.50	153.00	149.75	21	733
Jun	152.25	-7.00	-	-	-	105
Total					868	5,984

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	428.5	-1.5	425.0	424.5	70	257
Sep	432.0	-1.5	434.5	425.0	23,155	64,661
Dec	438.2	-1.6	441.0	433.0	991	14,882
Jan	440.0	-1.6	-	-	-	18
Mar	444.4	-1.6	444.5	441.0	226	9,452
May	448.2	-1.7	457.0	448.0	19	2,858
Total					24,830	99,053

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Aug	19.41	-0.32	19.76	19.35	34,820	82,834
Sep	19.53	-0.30	19.86	19.47	18,413	55,115
Oct	19.60	-0.28	19.90	19.56	4,706	35,586
Nov	19.65	-0.28	19.90	19.64	2,059	20,051
Dec	19.66	-0.30	19.98	19.63	4,715	42,850
Jan	19.72	-0.26	19.95	19.70	1,203	21,742
Total					70,210	405,119

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Aug	18.12	-0.28	18.40	18.10	15,675	50,097
Sep	18.21	-0.25	18.45	18.19	13,106	58,375
Oct	18.36	-0.24	18.58	18.34	1,407	15,901
Nov	18.49	-0.24	18.66	18.49	486	9,980
Dec	18.56	-0.26	18.75	18.55	913	15,801
Jan	18.63	-0.22	18.79	18.60	711	10,841
Total						

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Aug	52.60	-0.40	53.40	52.50	14,058	40,064
Sep	53.20	-0.54	54.00	53.10	3,827	22,451
Oct	54.10	-0.49	54.80	54.00	1,946	19,591
Nov	54.95	-0.54	55.70	54.95	731	14,909
Dec	55.80	-0.44	56.60	55.80	1,478	15,135
Jan	56.40	-0.44	57.10	56.35	950	13,093
Total					24,600	147,804

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	162.50	-0.25	164.50	161.75	7,529	7,986
Aug	163.25	-0.25	165.25	162.50	8,745	22,765
Sep	164.75	-0.50	166.75	164.50	2,231	7,366
Oct	167.25	-0.75	169.25	167.25	742	7,347
Nov	169.25	-0.75	171.00	169.00	498	4,967
Dec	170.75	-0.75	172.50	170.75	639	10,235
Total					19,810	74,240

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
Aug	2.080	-0.036	2.142	2.080	24,789	40,409
Sep	2.100	-0.026	2.146	2.090	6,891	21,793
Oct	2.120	-0.017	2.150	2.110	2,759	23,977
Nov	2.240	-0.025	2.280	2.240	769	11,541
Dec	2.390	-0.015	2.415	2.390	733	14,993
Jan	2.430	-0.015	2.450	2.430	1,252	15,323
Total					39,231	200,115

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Aug	58.05	-0.87	59.40	58.00	19,863	35,626
Sep	57.25	-0.83	58.60	57.15	6,384	13,866
Oct	56.05	-0.61	56.45	55.90	1,153	8,134
Nov	55.30	-0.68	56.00	55.30	110	2,712
Dec	55.00	-0.68	55.60	54.95	705	5,919
Jan	55.40	-0.53	55.75	55.40	324	4,146
Total					29,863	75,087

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	78.00	-1.00	78.00	78.00	29	181
Sep	81.00	-0.25	81.00	81.00	5	227
Nov	83.00	-0.25	83.00	82.75	162	3,803
Jan	85.25	-	85.25	84.75	93	1,984
Mar	87.25	-	87.50	87.00	36	1,017
May	89.25	-	89.00	89.00	20	600
Total					309	7,828

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	325.75	+9.25	330.00	317.50	2,334	3,008
Sep	334.25	+9.50	339.00	324.50	12,648	40,028
Dec	348.00	+9.00	352.00	338.00	6,185	33,327
Mar	356.25	+8.25	358.50	347.00	835	5,562
May	357.00	+8.00	360.00	350.50	124	687
Jul	354.00	+7.25	355.00	348.00	222	2,911
Total					22,348	85,544

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	249.75	+6.50	250.00	243.00	5,628	17,936
Sep	237.25	+7.50	237.50	229.75	15,763	63,631
Dec	237.25	+7.50	238.00	229.25	48,029	150,970
Mar	245.00	+7.00	246.00	239.50	7,702	25,740
May	250.25	+6.75	251.25	246.00	1,367	4,486
Jul	253.75	+6.25	254.50	249.50	1,750	8,116
Total					80,787	276,067

■ BARLEY LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	76.25	-1.25	76.50	76.50	3	32
Nov	78.75	-0.75	79.00	78.75	73	1,102
Jan	80.75	-0.75	81.00	80.75	45	181
Mar	82.75	-0.75	-	-	-	19
May	84.00	-0.75	-	-	-	9
Total					121	1,343

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	789.00	+21.00	795.00	765.00	4,572	5,505
Aug	748.00	+26.00	751.00	720.00	20,834	33,444
Sep	650.50	+22.00	652.00	625.25	3,276	12,741
Nov	607.50	+13.75	609.50	591.00	33,177	69,176
Jan	611.75	+14.00	612.00	599.00	1,708	13,669
Mar	619.50	+12.25	619.50	608.00	473	3,320
Total					64,561	142,870

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	22.06	-0.09	22.35	22.05	3,884	3,084
Aug	22.19	-0.03	22.50	22.17	7,360	25,867
Sep	22.31	-0.03	22.60	22.28	1,452	14,490
Oct	22.33	-0.03	22.65	22.30	1,063	15,063
Dec	22.44	+0.03	22.80	22.35	4,113	41,956
Jan	22.52	+0.01	22.75	22.50	332	4,880
Total					19,002	111,160

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	261.7	+10.2	262.0	251.0	3,200	7,877
Aug	243.8	+10.0	243.8	233.4	11,482	25,705
Sep	223.7	+9.8	223.9	214.5	4,213	17,091
Oct	207.2	+7.7	206.0	200.5	2,613	13,942
Dec	198.4	+6.6	198.5	192.0	8,623	36,846
Jan	198.7	+5.9	195.5	191.2	898	4,305
Total					32,592	116,371

■ POTATOES LIFFE (20 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	56.5	+2.0	-	-	-	-
Apr	66.5	+2.0	68.0	65.0	132	896
May	76.5	+2.0	-	-	-	2
Jun	86.5	+2.0	-	-	-	-
Total					132	997

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	1340	+11	1345	1330	44	1,253
Aug	1275	+20	1275	1268	13	611
Oct	1425	+5	1425	1420	101	1,004
Jan	1430	+5	1430	1425	17	140
Total					202	3,175

	Close	Prev
BFI	1361	1354

FUTURES DATA
All futures data supplied by CMS.

Nuts and seeds

Prices from Kenkko; US$ a tonne. Iranian pistachios 28/30 raw (in shell) naturally opened (round): RPPC prices at 4,350 FCA, market slow during summer months. Walnuts US jumbo inshell: 2,300 CPT Europe few goods in cool storage. Turkish hazelnuts standard No 1: 13/15 + 11/15 prompt at 4625, new crop at 4050. Uneasy due to exchange rates. Iranian industrial apricots: 1,800 CFR for top quality. Indian cashews: crop 1997 from top shipper: W320 at 5,300, W240 at 5,950, market rising due to strong interest. US almonds: crop 1997, St. 5% at 5,300 FCA Hamburg and at 3,950 for Oct ship. New estimate at 880 mill. LB. Spanish unshelled almonds: at 4,750 DDP Europe. Coconut: 1,050 from CFR Philippine. Russian pumpkinseeds: crop 96 long type at 2,000 CFR MEP.

SOFTS

■ COCOA LIFFE (10 tonnes; £/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	1036	+9	1035	1029	28	946
Sep	1057	+14	1059	1044	2,045	30,199
Dec	1077	+13	1079	1065	1,302	36,295
Mar	1095	+14	1098	1084	1,284	45,366
May	1109	+15	1109	1098	162	19,273
Jul	1122	+16	1125	1117	113	5,819
Total					8,947	163,946

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	1572	+16	1570	1566	14	53
Sep	1594	+16	1598	1575	4,161	33,835
Dec	1644	+17	1647	1630	1,224	22,254
Mar	1674	+16	1674	1661	375	21,703
May	1694	+16	1658	1657	38	10,040
Jul	1712	+16	-	-	9	1,148
Total					6,116	102,934

■ COCOA (ICCO) (SDR's/tonne)

Jul 8	Price	Prev. day
Daily	1220.23	1212.80

■ COFFEE LIFFE (5 tonnes; $/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	1805	+40	1816	1795	246	1,505
Sep	1825	+40	1835	1805	2,148	24,373
Nov	1804	+39	1815	1790	785	12,322
Jan	1764	+34	1775	1750	253	4,164
Mar	1739	+39	1740	1740	10	711
May	1729	+39	-	-	-	45
Total					3,442	43,129

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	197.00	+5.50	197.00	193.00	15	537
Sep	177.05	+5.40	178.50	171.50	3,882	11,408
Dec	159.55	+4.20	160.00	156.25	839	5,113
Mar	149.50	+2.75	150.00	148.00	184	2,430
May	145.50	+2.75	145.00	145.00	44	877
Jul	144.05	+3.30	144.50	144.00	2	261
Total					4,923	20,869

■ COFFEE (ICO) (US cents/pound)

$		Prev. day
Comp. daily	138.62	136.00
15 day average	142.84	143.35

■ WHITE SUGAR LIFFE (50 tonnes; $/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	319.2	+0.1	318.1	318.5	2,410	7,132
Oct	314.2	-0.3	314.6	313.6	1,578	8,739
Dec	313.4	-0.1	313.8	313.1	185	4,383
Mar	314.9	-0.5	316.2	314.7	851	4,393
May	314.8	-0.3	315.5	315.0	250	957
Aug	311.3	-1.5	314.0	313.5	44	848
Total					5,532	27,249

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	11.11	+0.05	11.12	11.00	5,904	92,917
Mar	11.25	+0.04	11.28	11.20	3,247	42,225
May	11.15	+0.04	11.15	11.08	206	8,789
Jul	11.09	+0.06	11.09	11.02	212	4,286
Oct	11.02	+0.08	11.02	10.94	510	1,690
Mar	10.95	+0.04	10.95	10.95	32	686
Total					10,661	151,923

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	71.14	-0.01	71.40	71.10	50	78
Oct	74.14	+0.44	74.30	73.70	2,243	11,973
Dec	74.35	+0.19	74.55	74.15	8,939	43,007
Mar	75.50	+0.07	75.70	75.43	1,098	7,920
May	76.20	+0.05	76.50	76.20	211	1,865
Jul	76.55	-	-	-	16	1,102
Total					12,626	76,448

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jul	73.85	-0.70	74.20	73.30	251	476
Sep	74.40	-0.85	75.50	73.50	2,336	19,891
Nov	77.15	-0.95	78.20	76.50	354	6,540
Jan	80.10	-0.80	81.30	79.80	132	2,592
Mar	83.25	-0.55	84.40	82.70	51	1,660
May	86.00	-0.70	87.00	86.50	-	320
Total					3,136	31,512

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

Jul 9	Jul 8	month ago	year ago
1900.8	1897.3	1988.5	1996.3

■ CRB Futures (Base: 1967 = 100)

Jul 8	Jul 7	month ago	year ago
232.96	232.22		

■ GSCI Spot (Base: 1970 = 100)

Jul 8	Jul 7	month ago	year ago
182.78	181.15	186.80	207.57

LME WAREHOUSE STOCKS (tonnes)

Aluminium	-950	to	658,625
Aluminium alloy	-80	to	58,060
Copper	+975	to	134,325
Lead	-175	to	116,950
Nickel	+462	to	53,880
Zinc	+125	to	419,925
Tin	-35	to	11,915

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Aug	63.750	+0.625	63.850	62.825	11,367	41,039
Oct	67.825	+0.950	67.850	66.775	4,747	26,388
Dec	70.375	+0.600	70.500	69.575	1,716	15,028
Feb	72.300	+0.550	72.400	71.550	1,167	6,908
Apr	74.250	+0.525	74.300	73.575	326	3,287
Jun	70.150	+0.250	70.400	69.900	388	2,161
Total					19,749	94,909

■ LEAN HOGS CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Jul	83.050	-	83.150	82.325	1,814	4,658
Aug	80.650	+0.800	80.800	79.600	5,105	12,569
Oct	74.100	+0.675	74.200	73.050	2,545	9,315
Dec	70.725	+0.725	70.750	69.775	678	4,556
Feb	69.475	+0.650	69.475	68.500	62	1,729
Apr	65.025	+0.450	65.150	64.525	48	1,142
Total					10,385	35,256

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Jul	78.675	-0.05	79.550	77.600	590	917
Aug	77.500	-1	79.150	76.550	1,957	4,279
Feb	70.900	+0.55	71.250	70.100	106	739
Mar	69.600	+0.7	70.100	70.100	8	17
Jul	73.500	-	-	-	3	5
Total					2,669	5,964

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Aug	Nov	Aug	Nov
1550	30	72	29	48
1575	20	60	43	60
1600	12	49	60	74
■ COPPER (Grade A) LME	**Aug**	**Nov**	**Aug**	**Nov**
2250	76	79	51	128
2300	51	59	75	158
2350	32	43	106	190
■ COFFEE LIFFE	**Jul**	**Sep**	**Jul**	**Sep**
1700	191	224	86	120
1750	165	200	90	146
1800	143	178	118	174
■ COCOA LIFFE	**Jul**	**Sep**	**Jul**	**Sep**
975	95	134	13	32
1000	77	118	20	41
1025	61	102	29	50
■ BRENT CRUDE IPE	**Aug**	**Sep**	**Aug**	**Sep**
1750	-	-	6	40
1800	-	-	11	49
1850	6	56	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	$16.63-6.83	-0.33
Brent Blend (dated)	$18.22-8.24	-0.17
Brent Blend (Aug)	$18.10-8.12	-0.20
W.T.I.	$19.34-9.38w	-0.33

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$193-195	
Gas Oil	$163-165	-0.50
Heavy Fuel Oil	$79-81	
Naphtha	$172-174	
Jet fuel	$178-180	
Diesel	$167-168	+1

■ NATURAL GAS (Pence/therm)

Bacton (Aug)	9.20-9.40	
Petroleum Argus. Tel. London (0171) 359 8792		
IPE (Aug)	9.280	+0.10

■ OTHER

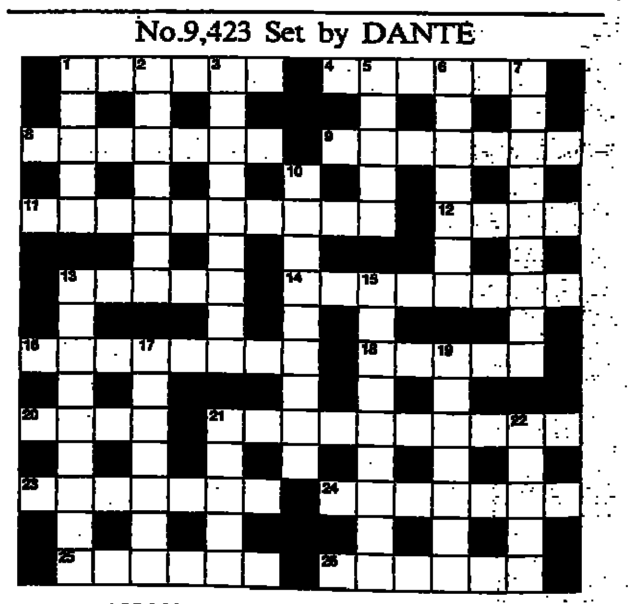
Gold (per troy oz)♣	$319.45	-1.50
Silver (per troy oz)♣	434.00c	-1.00
Platinum (per troy oz.)	$397.00	-12.00
Palladium (per troy oz.)	$168.50	-7.50
Copper	118.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	13.78r	
Tin (New York)	258.5	
Cattle (live weight)	99.66p	+3.60*
Sheep (live weight)♣	119.37p	+3.78*
Pigs (live weight)†	89.93p	-1.70*
Lon. day sugar (raw)	$268.40	+1.30
Lon. day sugar (wte)	$323.90	+0.90
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	£109.00	
Wheat (US Dark North)	Unq	
Rubber (Aug)♥	58.50p	
Rubber (Sep)♥	59.50p	
Rubber (KL RSS No1)	283.0x	-3.0
Coconut Oil (Phil)§	615.0y	+7.5
Palm Oil (Malay.)§	512.5w	+2.5
Copra (Phil)§	$410.0y	
Soyabeans (US)	193.0	+8.0
Cotton Outlook'A' index	80.80c	
Wooltops (64s Super)	421p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. z Aug. w Jul. ♥London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on 1,210 head of pigs sold.

JOTTER PAD

CROSSWORD

No.9,423 Set by DANTE



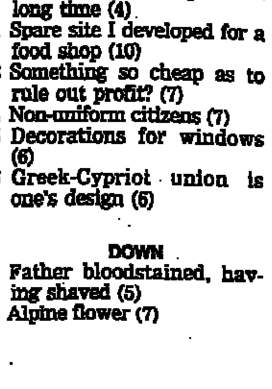
ACROSS

1 Sort of Iron Age bird (6)
4 Air display (6)
8 Folded when credit was derestricted (7)
9 Tramples relative underfoot? (7)
11 Publicity given to official run (10)
12 Undreamt of money (4)
13 Sucker in starting price swindle (5)
14 Capital investment for a speculator's family (8)
16 Law agency involved in plot about the Queen (8)
18 Builder of a lodge (5)
20 Earnings do not begin for a long time (4)
21 Spare site I developed for a food shop (10)
23 Something so cheap as to rule out profit? (7)
24 Non-uniform citizens (7)
25 Decorations for windows (6)
26 Greek-Cypriot union is one's design (6)

DOWN

1 Father bloodstained, having shaved (5)
2 Alpine flower (7)
3 Revealing description of one becoming more communicative (7,2)
5 Play-boy (5)
6 Aims to get a ship round an awkward pier (7)
7 Oriental here on business gets summons (9)
10 The property of the firm (9)
13 Old-timer (9)
15 Right to enter guilty plea (9)
17 Junior officers made to climb the mast (7)
19 Bundles to haul on board (7)
21 Prepare to fire first (5)
22 Schemes thrown aside (5)

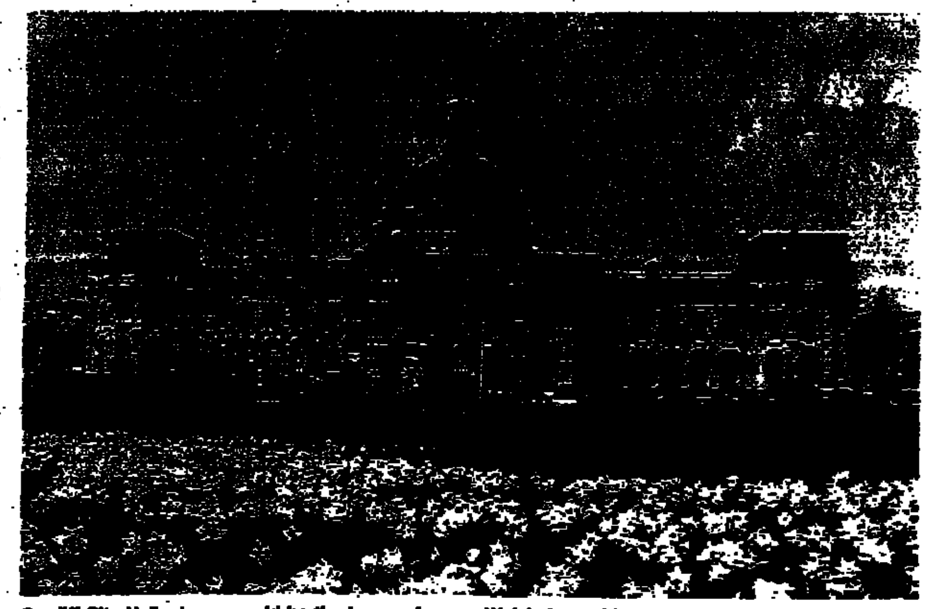
Solution 9,422



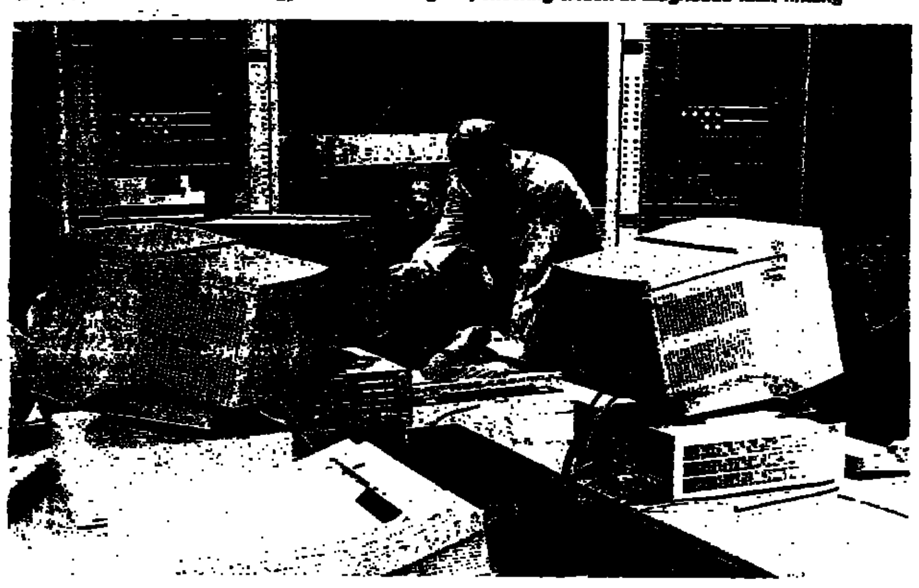
Wales

The impact of a Welsh assembly on the economy of the principality is at the heart of the debate over devolution, reports **Richard Wolffe**

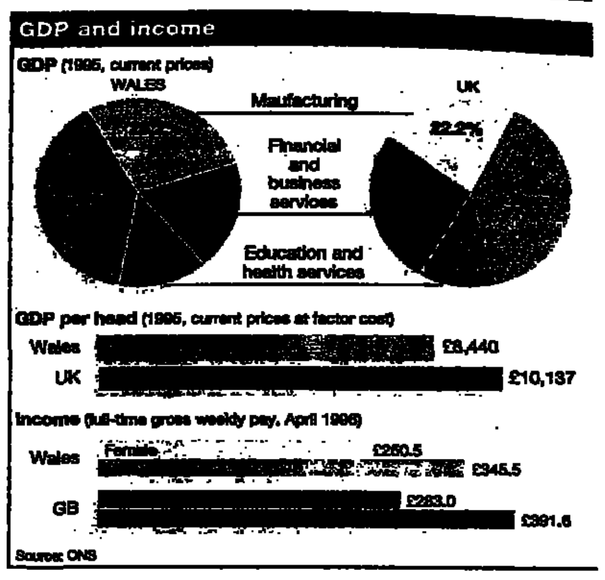
Uncertainty over devolution issue



Cardiff City Hall, above, could be the home of a new Welsh Assembly – although business leaders remain sceptical about the economic benefits of such an assembly. High-tech Wales: pictured below is the new Waterton Technology Centre at Bridgend, showing tuition in diagnostic fault-finding



GDP and income



Just two months before its historic decision on devolution, Wales seems astonishingly ambivalent about whether or not it wants an assembly in Cardiff. Opinion polls suggest around a third of voters remain unsure of their response to September's referendum, with the rest only marginally in favour of devolution.

In Westminster at least, the temperature of the political debate has risen sharply in recent weeks. Ahead of the white paper on devolution, to be published later this month, bitter splits have already emerged between Labour MPs and the government.

The contentious issue of what Labour MPs can and cannot say during the referendum campaign is a vivid sign of the importance of the vote itself. The government is keen to present the Welsh assembly as an attempt to modernise not just Welsh democracy, but the wider British constitution. Mr Ron Davies, Welsh secretary, admits a 'No' vote would represent "a serious blow for the credibility of the government".

But the sense of uncertainty among the general public is shared by the business community in Wales, which proved so crucial to the four-to-one rejection of devolution in 1979. The Confederation of British Industry in Wales says its members simply have too little information to decide whether or not to support the government.

At the heart of the debate lies concerns over how an assembly would affect the Welsh economy. Over the last 15 years, Wales has witnessed a remarkable transformation of its industrial base – from its traditional reliance on coal and steel to the high-tech manufacturing implanted by more than £10bn of inward investment.

Central to this transformation is the Welsh Development Agency (WDA), the economic development quango which would come under the control of a Cardiff assembly. Wales now attracts 16 per cent of all inward investment projects in the UK, when the principality only contains 5 per cent of the population.

Since Labour's landslide election victory – which ousted all the Conservative MPs in Wales – the new government has already signalled a shift in WDA policy. Instead of concentrating on bringing international projects to south Wales, the WDA has been urged to develop existing businesses and encourage growth in the deprived, more distant areas of the valleys, west and north-west.

Mr Ron Davies insists an assembly can only improve the Welsh economy. "It will not have any power to interfere with the single market by regulation, and it will not have any tax-raising powers," he says. "But it will provide a stimulus for a new economic powerhouse. We will have far better integration of bodies such as the Land Authority for Wales, the Development Board for Rural Wales, and the Welsh Development Agency.

"The other big area is Europe: it is my view that the assembly will have a new relationship with the EU and will have much more authoritative views in pressing the case for Wales."

At the WDA, the attitude to devolution is based on an expectation that little will change. Mr David Rowe-Beddoe, the chairman, says: "We are not frightened of devolution. It can offer positive things for the agency's role by increasing the definition and perception of Wales.

"As far as the accountability of the agency is concerned, we would report to a Welsh assembly with the same degree of enthusiasm as we report to the secretary of state. The secretary of state has publicly said that the proposed Welsh assembly would obviously be charged with the determination of strategy, whilst the agency would continue its role to deliver that strategy and would be operationally free to do that."

In rural Wales, the WDA's sister body – the Development Board for Rural Wales (DBRW) – sees the assembly as bringing new focus to the more distant corners of the principality. Mr John Taylor, chief executive of the DBRW, says: "The good thing I see from devolution is that there are no forgotten regions.

"Economic policy is often urban-based and also English-based, and may not be applicable to Wales. The assembly may be dominated by south Wales, but if you want to influence rural policy in Wales, it should be marginally easier to do so with an assembly in Cardiff than one in London."

In spite of its successful policy towards inward investment, the economic challenges facing Wales – with or without an assembly – remain substantial.

Welsh productivity and wages remain low compared with the rest of the UK. Gross domestic product stands at £8,440 per head against the UK's average £10,137, and the average weekly wage for men is 12 per cent behind the rest of the country, according to the government's 1995 figures.

Such statistics help to justify the large grants available to new employers in Wales. The WDA says that more than 70 per cent of the working population in Wales is covered by some form of regional assistance, estimated at £27 per head compared to £18 in Scotland and just £5 across Britain. In practice, the Welsh economy is sharply divided between the prosperous south-east and north-east, and the deprived western fringes and former industrial towns of the south Wales valleys. The regional economy is particularly hindered by high levels of inactivity – people outside the job market – including a high proportion of women, as well as former industrial workers on sickness benefits.

The hesitancy towards devolution expressed among many Welsh businesses may be the result of these sharp geographical divisions. North, south and mid-Wales have built economic ties along the motorways with their respective English neighbours – rather than each other.

Upgrading the key roads would be the most direct way of pushing prosperity westwards along the M4 towards Pembrokeshire and the A55 towards Holyhead. But the Welsh Office admits it has no cash to begin substantial roadbuilding.

Mr Stephen Hill, director of the Welsh economy research unit at Cardiff Business School, says: "There is no Welsh economy, as such. Trade between the north and south is very small. Some steel products are made in the south and shipped north by train to be finished. But with improved roads you could remove local monopolies and create new supply opportunities."

On top of the geographical divisions, the Welsh economy is also deeply split between its manufacturing and service sectors. Wales's success in attracting manufacturing employers from abroad has hidden a relative failure in establishing a strong service sector, particularly in financial and legal services. As a result, the WDA is now attempting to bring financial call centres to Wales, although it lags far behind its English and Scottish rivals.

In Cardiff at least, the attitude to one service sector seems to be changing rap-

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DEVOLUTION ISSUE • by George Parker

Business leaders remain deeply sceptical

The Labour government is mounting a determined effort to win over critics opposing plans for a Welsh assembly

When Wales voted overwhelmingly against the creation of a Welsh assembly in 1979, it was the business community which led the "no" campaign. Almost 20 years later, a new Labour government is facing doughty opposition to its devolution plans from the same quarter.

While opinion polls in Wales tend to show the general public marginally in favour of a Cardiff assembly, business leaders remain deeply sceptical about whether such a body would bring economic benefits. A poll conducted by the Confederation of British Industry in Wales last November found the business community opposed to an assembly by a majority of two-to-one. Objections focused on fears that the body would be bureaucratic, cumbersome and might eventually agitate to win tax-raising powers.

Well aware that business opposition could help to scupper the assembly plan when it is put to a referendum this September, the government is mounting a determined effort to win over its critics. Mr Tony Blair, prime minister, has made several appeals to Welsh business leaders over the past 12 months, arguing that most successful European regions have strong, democratic self-government.

Mr Peter Hain, the junior Welsh office minister, displayed signs of the government's increasing anxiety when he issued dire warnings last month about the economic dangers of a "no" vote. Addressing the Institute of Public Policy Research in Cardiff, he painted a grim picture of life without an assembly, claiming that business in Wales would suffer, investment would go elsewhere and the economy would lag behind that of the rest of the UK. "Business in Wales needs a Welsh assembly to make its voice heard and give it economic clout," he said. "If employers don't vote 'yes', the Welsh economy will be badly hit and thousands of jobs will disappear."

Mr Hain argues that Scotland and London are almost certain to grasp the opportunity to have their own elected bodies, which would act as powerhouses for economic regeneration and attracting inward investment.

Key question

Within the next year or so, the English regions will also acquire their own development agencies under legislation currently being drawn up by Mr John Prescott, deputy prime minister.

"Is anybody seriously saying Wales can stick its head in the sand and say 'no', that Wales alone wants to be ruled from Whitehall, while everyone else in Britain has more say over decisions which affect them by having their own form of decentralised decision making?" he asked. The minister insisted that the people of Wales would vote for an assembly this September and urged business to become actively involved now. "Business needs to be in there now, influencing the character of the assembly – not standing on the sidelines."

The business community reacted coolly to the warnings. Many people cannot understand the point of tinkering with a system which already delivers inward investment projects on a scale unrivalled in virtually any other part of the European Union. Ms Elizabeth Heywood, director of the CBI in Wales, said she could see "no evidence" to support Mr Hain's claim that the principality would suddenly start to fail without a directly elected assembly in Cardiff.

Under today's system, Wales is administered directly from Whitehall by the Welsh Office, which handles policy in areas such as education, the environment, transport and health. Responsibility for economic development is largely devolved to the Welsh Development Agency, an unelected quango.

From the Welsh perspective, the principle of democratic accountability is largely absent from this arrangement. Wales returned only six Tory MPs out of a total of 38 in the last parliament, but spending priorities on areas such as roads, schools and housing were still determined by a Conservative government with the Welsh represented by a Secretary of State, Mr William Hague, from Yorkshire.

Under the devolution plan, a directly-elected Cardiff assembly would assume the powers of the Welsh Office to run domestic affairs, including overseeing the work of the WDA. Unlike the proposed Scottish parliament, which would have the power to raise income tax rates by three pence, the Cardiff body would have to settle for the block grant allocated by London.

Empowerment

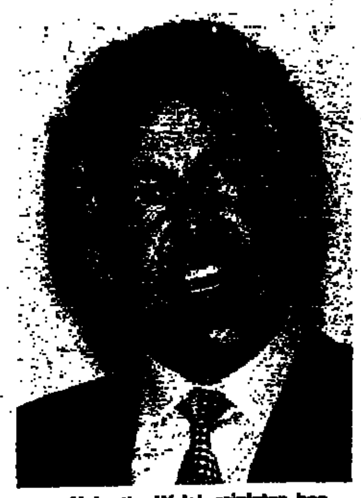
"An assembly would be more efficient," argued Mr Ron Davies, Welsh secretary, in the *Welsh Economic Review*. "The proliferation of quangos favoured by the Conservatives are a notoriously inefficient, wasteful and even corrupt tier of government."

Professor Kevin Morgan at the University of Wales, Cardiff, claims that Europe's most successful regions – such as Catalonia, Lombardy, Rhone-Alpes and Baden-Wurttemberg – all have elected assemblies.

"These governments, by their nature, are more empowered than any institution we have in the UK to design and develop strategies for business and economic growth which are tailored to suit their own needs," he says.

Such arguments cut little ice with CBI in Wales' members who are concerned that the assembly, once constituted, would press to take on tax-raising powers – which it would fiercely oppose. They were also worried about the potential for increased red tape and a possible slowing down of the decision-making process. Little wonder then that the survey showed that 59 per cent of members thought devolution would damage Welsh competitiveness.

"An additional layer of government indicates an additional tier of bureaucracy, which is unlikely to provide an enhanced environment in Wales in which to do business," says Ms Heywood, adding that she hoped business leaders would be co-opted on to assembly committees, if the body was established, to provide specialist expertise.



Peter Hain, the Welsh minister, has issued dire warnings about the economic dangers of a 'no' vote

Mr Davies admits the government has some way to go to allay such fears, but insists that opinion is changing within the business community as the case for an assembly is made.

"The business community effectively led the campaign against in 1979, but there has been a sea-change in opinion," he said. "I confidently expect by the time the referendum is held, the business community will be on our side."

Economic issues

From Page 1:

idly. While much of Wales's existing leisure industry is seen as relatively downmarket, Cardiff is building new tourist facilities at breakneck speed – partly in preparation for the rugby World Cup which it hosts in 1999. The dramatic £2.4bn regeneration of Cardiff Bay is already attracting 1.5m visitors a year to its waterfront, restaurants and high-tech entertainment.

But manufacturing remains the foundation of the Welsh economy, representing 22 per cent of jobs.

According to Oxford Economic Forecasting, Wales is the only UK region expected to increase manufacturing employment this year – by 0.3 per cent, compared to a decline of 1.2 per cent in the UK overall.

For some businesses, devolution may provide a way of sustaining such growth. Companies such as Celtic Energy, the former British Coal Opencast and the largest coal company in Wales, see a renaissance of demand for Welsh products. Mr Keith McNair, chief executive, says: "If there is a 'Made in Wales' policy, Welsh energy would be very competitive against other areas, because in south Wales we have the most competitive furnace coal in Europe.

"We also believe there is a proportion of Welsh customers – not just residential but industrial and commercial, too – that would prefer to buy from a Welsh generator which buys its coal from Wales and keeps Welsh people employed."

Nevertheless, in its early years the most important role of a Welsh assembly is likely to be superficial. Mr Denis Balsom, warden of the University of Wales at Gregynog and a lecturer in politics, says: "The biggest single impact is largely going to be symbolic. It would be a national institution and Wales does not have many of those – in contrast to Scotland."

INWARD INVESTMENT • by Richard Wolffe

Setting the pace for the rest of Europe

More than 75,000 people are now employed by overseas companies in Wales

The ground-breaking ceremony came less than six months ago, but there is still a distinct sense of aftershock in south Wales.

Construction is well under way on the enormous £1.7bn investment by LG of South Korea. The site in Newport, Gwent, is equivalent in size to 100 football pitches. Production may not begin until the end of this year, but the local jobs market is already feeling the strain.

Europe's largest single inward investment, LG's electronics and semiconductor plants probably represent the high-water mark of Wales' remarkable record of attracting foreign companies.

The task of recruiting 6,100 jobs for LG – as well as a further 8,400 jobs in supplier companies – has exposed the limits of a policy which has become the model for rivals elsewhere in the UK and on the continent.

Ironically, the LG project comes at a time when that policy has come under its first serious revaluation – by the new Labour administration – in 20 years.

Wales' record in inward investment is undoubtedly impressive. More than 75,000 people are now employed by overseas companies, including 17,000 in Japanese companies.

Since 1983, when the Welsh Development Agency (WDA) took over responsibility for such investment, more than £10bn of capital investment has been attracted from 1,600 projects. Foreign investment has proved crucial at a time of substantial decline in Wales's traditional coal and steel industries.

In short, Wales wins far more than its fair share of foreign investment – 16 per cent of such projects in the UK, with only 5 per cent of the population.

Such projects do not come cheaply. LG has won a package of state aid worth £247m, and much is being spent on training the local workforce. Gwent training and enterprise council (Tec) estimates 22,000 new jobs will be created in the area within the next 10 years among a workforce that numbers 160,000.

The Tec has launched a modern apprenticeship scheme in electronics as well as a post-graduate training centre in semiconductors close to the LG plant.

But the concerns among existing semiconductor employers remains high. Newport Wafer-Fab, part of the Hong Kong-based QPL International group, is spending £230m expanding its own silicon chip factory in the area.

Mr Steve Byars, chief executive, said: "Because of the extent of recent inward investment throughout the UK over the last 18 months, there has been an acute shortage of skilled people. The Korean investment has put a strain on the availability of graduates and other labour, and while there are initiatives being set up, in the short-term it's every man for himself."

These concerns find an echo in the new Labour administration at the Welsh Office, which wants a shift in focus at the WDA away from the booming south Wales economy to more depressed areas in more distant corners of Wales.

Mr Ron Davies, Welsh secretary, says: "If you look at the low level of employment and low wages in places such as Gwynedd and Pembrokeshire, alongside the overheating economy in the south-east, the common sense approach is to spread the benefits of inward investment.

"Besides, the era of the footloose international companies looking for a home in the UK is probably coming to an end.

"Over a period, we will redirect attention away from the south-east towards the west. It will also be a change of emphasis away from pursuing inward investment and towards supporting indigenous businesses."

The Labour government has already launched the concept of "industrial villages" in an attempt to attract investors to former industrial valleys and west Wales by using information technology.

At the Welsh Development Agency, work has also begun to meet the new target of attracting 50 per cent of new jobs outside the traditional magnets of the M4 motorway in the south, and the A55 in the north.

But Mr David Rowe-Beddoe, chairman of the WDA, warns this process is likely to be slow and costly. "We have to realise that there are economic consequences to this," he says. "The headline figure of jobs could be reduced and the cost per job could be slightly higher.

"At the end of the day, the reason we are successful is that the customer is always right. All we can do is put forward an array of factors that are attractive to investors. You have to remember that 10 years ago there were just three agencies with offices in Tokyo – today there are more than 80."

The WDA has established a Source Wales programme to match local suppliers with foreign investors, as well as raising standards among Welsh manufacturers.

However, the most effective way to spread inward investment remains simple, if costly, according to Mr Stephen Hill, director of the Welsh economy research unit at Cardiff Business School.

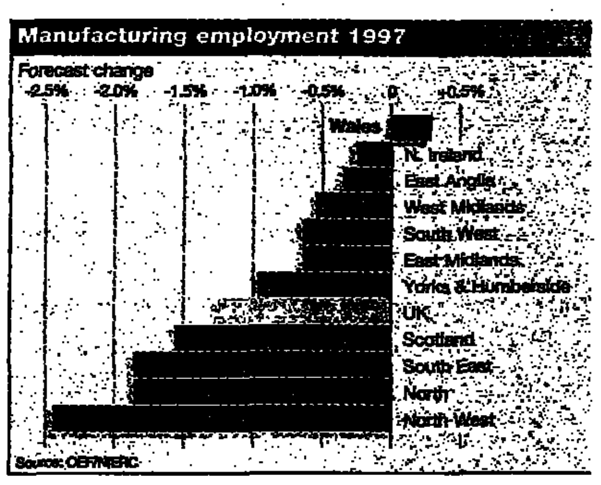
"We have been concerned about the concentration of inward investment along the key road routes of the M4 and A55," he says.

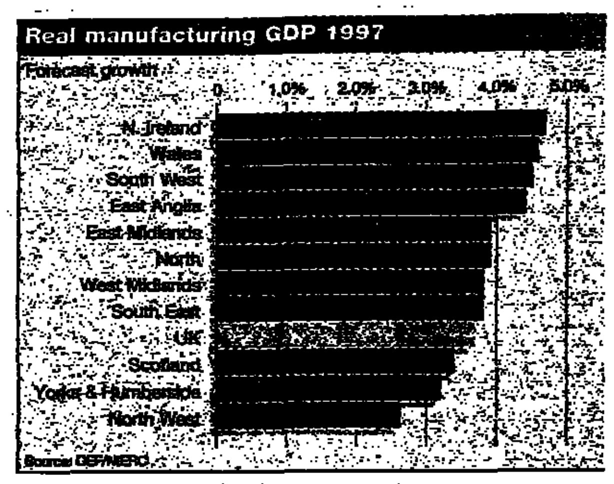
"Extending the motorway network is the most obvious way to spread that inward investment, along with improving the links between small towns and the motorways."

For optimists, there are already early signs of a shift in investor attitudes to locations in Wales. Halla of South Korea is investing £18.6m in Merthyr Tydfil, creating up to 300 jobs making fork-lift trucks and excavators.

Mr Lyndon Williams, commercial and administrative manager of Halla Euro Enterprise, says: "It was the availability of the development land which attracted us. It is much cheaper to develop a factory of this nature in Merthyr rather than the M4 corridor, and the road links between here and Cardiff have been improved.

"But Merthyr is also one of the cradles of the industrial revolution, and is traditionally associated with heavy engineering, which means there is also the availability of the workforce."





NORTH WALES' PROSPECTS • by Ian Hamilton Fazey

Vital road and air links with UK cities

Much as Wales is a single country, North Wales is a place on its own. Geography and communications are why: even using the best roads available, it takes at least four hours to drive between the north and south coasts. If using the Welsh Marches, the border country east of Offa's Dyke, most of the journey is in England.

Instead, North Wales' most efficient communications run east and west, connecting it with Chester, Liverpool and Manchester. One arterial link – the A5 – dips south and east from Anglesey to link with Shrewsbury and the West Midlands, but north-west England is where there is most affinity.

Traditionally, Thursday was known as "Welsh day" in Liverpool because of North Wales' half-day closing, when people went to the nearest big city to shop and do business. Geographers then described Liverpool as the capital of North Wales, though recent developments have almost certainly given Greater Manchester economic hegemony over North Wales, as well as north-west England.

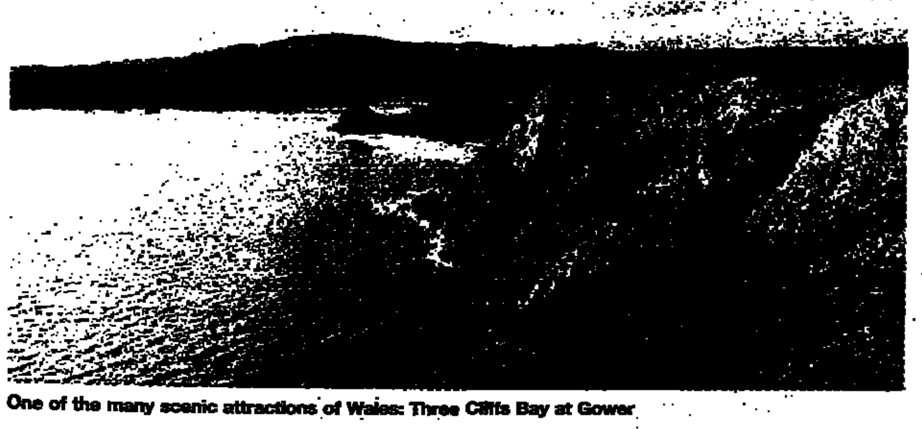
Old ties remain, however. *The Daily Post*, a regional morning newspaper published in Liverpool, runs a Welsh edition so different from those its sells in England, it can fairly be regarded as a separate publication. This Welsh edition has long accounted for up to half the paper's daily sale and is regarded fondly and locally in North Wales as its own. The Cardiff-based *Western Mail* struggles for presence, not least because poor north-south communications affect distribution, while the latest infrastructure favours its Liverpool rival even more than ever.

This infrastructure now holds the key to economic development in North Wales. The A55, North Wales' main commercial and communicational highway, always did run east-west along the coast, but is now a dual carriageway all the way between Anglesey and the English motorway network. The most important single result in terms of marketing North Wales to inward investors is that Manchester Airport is now only 75 minutes from Anglesey. It is as good to be in Snowdonia for access to international markets via the airport's growing schedule of daily flights throughout Europe and the US, as it is to be in much of Yorkshire. For North Wales east of Snowdonia, access to the airport is even better – and as good as it gets when compared with many other places in Europe competing for inward investment.

Improvements to roads across Anglesey are either under way or planned, so Holyhead, which provides crucially important ferry links with Ireland, should eventually benefit more than it has already. The ease of general access to parts of Wales once thought peripheral and remote, however, has already made its impact.

Factory relocation to North Wales is increasing, say inward investment managers. Inquiries about the most remote parts have been on the up for five years, since a tunnel under the River Conwy bypassed a notorious bottleneck caused by streets of mediaeval width around Conwy Castle.

Perhaps the most telling indicator of the way things have changed, however, is the location of Britain's most pleasantly sited high technology business innovation centre: though sandwiched between the mountains and the Menai Straits which separate the mainland from Anglesey, the A55 and the Internet put Snowdonia BIC next door to the world.



One of the many scenic attractions of Wales: Three Cliffs Bay at Gower

TOURISM TARGETS • by Scheherazade Daneshkhu

A marketing challenge

Coal and steel have given way to tourism as one of the main drivers of the Welsh economy. With more than 11m visitors a year, Wales is now more dependent on tourism, which accounts for 7 per cent of gross domestic product, than Scotland or England.

Spending by visitors last year amounted to £1.9bn – a 13 per cent increase on 1995, according to provisional figures from the Wales Tourist Board and a record high.

Investment for tourism is being encouraged particularly in areas of high unemployment, such as Snowdonia and Pembrokeshire, though the latter received a setback last year after the *Sea Empress* oil spillage, near Milford Haven.

Yet Wales is still heavily dependent on the UK for its tourists and lags far behind Scotland in attracting overseas holidaymakers. In 1994, the principality launched a drive to increase its share of the overseas market by setting a target of 6 per cent annual growth in visitor numbers – slightly higher than forecasts for the UK – from a disappointingly low base of 3.6 per cent of trips.

However, volumes have not been in line with targets and Wales' market share has continued to decline. But spending by overseas visitors has exceeded set objectives; the board expects total spending by overseas visitors to amount to £240m last year – a 19 per cent increase on 1995.

"We have a marketing challenge," says Mr Jonathan Jones, senior director of marketing at the tourist board. "The problem is not that overseas visitors have a negative image of Wales – they don't have an image of Wales at all."

There is optimism that this will change after two high-profile international events. The European Summit, to be held in Cardiff next year and the 1999 Rugby World Cup, will not only increase visitor numbers to Wales, they will also give it a platform to broadcast a new image which the board is developing.

The international television coverage of the Rugby World Cup will be particularly important in relaying the message to overseas tourists that a visit to the UK should include a trip to Wales. A 72,000-seater Millennium Stadium is being built for the World Cup.

The two events are now the driving force behind completion of hotel and leisure developments at Cardiff Bay, one of Europe's largest urban regeneration projects, *(see factfile, below)*.

The tides surrounding the once thriving docks, which were the centre for coal exports in the last century, give way to vast areas of mud for up to 14 hours a day. A barrage is being built to create a freshwater bay which will be completed next year.

An "arc of entertainment" on 800m of the 12km waterfront and a £30m leisure complex at the entrance to the inner harbour is due to open later this summer. The complex, which contains a multiplex cinema, bars, restaurants, shops and a virtual reality theatre is expected to attract up to 1m visitors a year.

The waterfront will also be the site of Wales' first five-star hotel – the 120-room complex is being built by Sir Rocco Forte, the former chairman of Forte hotels.

Other luxury hotels are also planned and much of the existing hotel accommodation is being expanded or upgraded.

Cardiff Bay factfile

- Jobs created: 10,500, including nearly 5,500 permanent jobs. Jobs target: up to 30,000.
- Tourism: approaching 1.5m admissions to inner harbour attractions this year. Tourism target: 2m visitors by the year 2000.
- Private sector investment: £800m.
- Office units: 57,771 sq metres. (Target space: 372,000 sq metres).
- Industrial units: 78,306 sq metres. (Target area: 465,000 sq metres).
- Housing: more than 2,000 homes being built out of a target of 6,000 (private and housing associations).
- Total development area: 2,700 acres, equal to a sixth of the Cardiff city area.
- Investment target: £2.4bn

PROSPECTS FOR WEST WALES • by Ceri Jones

Big concern over the environment

Jobs have been lost in the wake of last year's oil spill in an area of outstanding natural beauty

To outsiders, those living on the western-most peninsula of Wales appear to be living almost in paradise. From the wildness of the Preseli mountains in the north, to the picturesque holiday resorts of Tenby and Saundersfoot in the south, it is an area of outstanding natural beauty, surrounded on three sides by water and divided through its heart by the Milford Haven waterway, the second largest natural harbour in the world.

So when the *Sea Empress* spilled its 72,000 tonnes of crude oil into the waters off the Pembrokeshire coast last year, it did more than cause physical damage to the environment and its wildlife, plus economic damage to tourism and fishing. It also highlighted the vulnerability and importance of that environment, triggering a debate on the way in which the county should develop in the next century.

The *Sea Empress* disaster came on top of long-term decline in agriculture and fishing, and as tourism was struggling to reposition itself in the holiday market. It also coincided with the run down of the defence industry and crisis in the oil industry, core industries of the county since the 1960s.

Unemployment at 13.8 per cent is almost double the Welsh national average and set to rise still further when the Gulf oil refinery closes this year with the loss of 350 jobs.

Over the last 10 years, it is estimated that between 2,000 to 3,000 jobs have been lost from the area's 43,000-strong workforce. A report by Cardiff Business School into the economic effects of the *Sea Empress* disaster estimated that tourism could have lost over £20m as a result of the disaster, and fishing, £5m. But the report also revealed that the county's GDP is just 72 per cent of the UK national average, making the region one of the poorest in Europe.

The first casualty of the new environmently-sensitive mood has been National Power's £500m project to modify its Pembroke Power Station to burn Orimulsion. The project which would create 500 permament jobs and up to 1,000 during construction, is the only substantial investment plan on today's agenda.

As a result of concerns about possible health risks and marine safety, the project is to be the subject of a public inquiry. A total of 150 workers have lost their jobs and the plant may be mothballed for years.

"We were lucky with the *Sea Empress*: it could have been a lot worse had it occured at any other time of the year. Tourism appears to have recovered well," says Mr Kefin Wakefield, head of economic development for Pembrokeshire County Council. "But its biggest residual effect has been local concern for the environment."

The debate over Orimulsion and a proposed SAC designation, Europe's highest environmental protection, for the Milford Haven waterway has been watched carefully by the three remaining oil refineries, already having to spend large sums to meet new higher national environemental standards.

With over-capacity throughout Europe, the industry in Wales is under pressure because of its distance form the main markets.

The proposed merger between Gulf Oil and Elf Oil was aimed at withstanding that squeeze even though it meant the closure of the Gulf refinery. Now, following the collapse of the deal many feel that Elf, too, is vulnerable – and if Elf were to close, then some question whether Texaco would continue along the waterway.

Among traditional industries, agriculture has been in slow decline for most of this century – but Pembrokeshire has been hit doubly hard. Changes in milk quotas and the closure of the nearby Whitland creamery have affected dairy farming, while the BSE crisis has led to falling farm incomes and increased uncertainty.

The once-prosperous Milford Haven-based fishing industry is also a shadow of its former self. The indigenous fishing industry is now largely inshore-based while Milford itself is merely the registered port for 50-strong fleet of Anglo-Spanish vessels which bring little economic benefit to the area.

The Conservative Government in 1992 set up a West Wales Task Force to regenerate the economy following the defence closures, but although addressing the economic problem, it was never given the resources to act. That task has now been left to Pembrokeshire County Council along with its partners in the new West Wales Economic Forum. It believes that as well as supporting existing industries, opportunities exist for the local economy if new industry can be attracted, particularly in manufacturing and value-added food production.

"The challenge is to build up the manufacturing base which at present stands at only nine per cent, compared with around 20 per cent in the rest of Wales," says Mr Wakefield.

To do so, however, the county faces the hurdle of attracting investors into a peripheral region away from the main markets, and with poor road and rail links.

A number of cancelled bypass programme have, however, been re-instated by the incoming Labour administration. The southern corridor route through Pembrokeshire will be prioritised.

☐ *Ceri Jones writes on West Wales for the Western Mail, Cardiff*

WELSH-BRANDED FOOD PRODUCTS • by Rhys David

Promising potential

Plans are under way to enhance the perception of Wales as a location for food industry investment

To those who regularly travel along the M4 between London and Wales, the name Oriel Jones may well be familiar. For they are likely to have passed at one time or another one of the company's trucks, with its distinctive Welsh language livery, on its way to or from a customer drop for supermarkets in Britain, France or even Spain.

Oriel Jones is one of the success stories of the Welsh food industry which, despite a contribution of more than £1.3bn to the Welsh economy each year and a vital role in holding together the fabric of the sparsely populated Welsh countryside, has always performed below its potential.

Mr Jones himself started selling meat from the back of a van around farms in Carmarthenshire in the 1950s but has gone on to establish a business which now has a turnover of £40m, the bulk of which comes from buying lamb direct from farmers, and slaughtering, cutting and packing it for demanding retail customers. Further expansion is under way: the company is investing £2m to enable it to increase processing capacity and to expand in beef.

The Lampeter-based company is something of an exception, however. Wales, unlike Ireland, Scotland, New Zealand or Denmark – all comparably sized countries – has not developed its own agribusinesses, marketing strong brands to customers worldwide.

Most Welsh farmers have chosen to take the risk individually of getting a good price in livestock markets rather than working together and developing links with big supermarket buyers. And, because of a lack of processing capacity most of the animals sold in Wales – along with much of the country's milk output – have found their way after slaughtering into meat plants over the border, instead of having value added nearer source.

Yet, there are some signs that the position may be improving, albeit under the pressures of falling beef prices, which have seriously hit farm incomes in Wales, and as a result of encouragement from government and customers.

Last month in Lyon, Paul Bocuse, one of France's top chefs hosted a reception for some of his fellow-restaurateurs to introduce Agneau Gallois Pré Salé, a new cut of lamb specially developed for the French market by producers group Cwmni Cig Arfon (Arfon Meat Compaby) in association with the Government-funded agency, Welsh Food Promotion (WFP).

A premium product, it has a distinctive taste acquired from summer saltmarsh grazing on the Lleyn peninsula. At other times of the year the lambs are fed on a feed produced by Wynnstay and Clwyd Farmers, a pioneering farmers' co-operative which converted to plc status in 1992.

Apart from the salty lamb, other meat products have also been developed specifically for the premium end of the highly important French market where customers favour smaller joints and efforts are being made to develop other Continental markets as well.

The route ahead lies in developing more branded products of this kind in association with the supermarkets who dominate the retail trade. "We have done a very good job in positioning Welsh lamb which is now established at the top of the market. We need to do the same with our beef and other products," argues Mr Peter Budd, chief executive of WFP.

In lamb and beef, the benchmark to which much of the agricultural sector in Wales is now working is Farm Assured Welsh Livestock (FAWL), a certification scheme guaranteeing good overall husbandry and high product standards.

Animals which pass though the scheme – one of the strong supporters of which has been supermarket group Waitrose – are tagged so that meat is traceable from farm though to butcher's counter, an important consideration for customers post-BSE.

The consolidation that has taken place in the co-operative sector in Wales has also been important in creating bigger businesses better able to supply farmers and to become involved in livestock initiatives such as FAWL.

Wynnstay and Clwyd, for example, has built up to a turnover of more than £46m through acquisitions and through diversification into areas such as petfoods and retailing. It has also developed a joint venture with farmers in pigmeat, a relatively small sector in Wales but one which could become much more important.

The next stage recommended in a food strategy document produced for the industry under the auspices of the Welsh Office last year is a quality mark embracing each of the main Welsh food and drink sectors. The aim of this will be to enhance the perception of Wales as a producer of food and as a location for food industry investment.


Ron Davies, the new Welsh Secretary, strongly supports the campaign to promote the principality's quality products

A number of candidates already exists, including the substantial and diverse processed dairy sector which has emerged in recent years within Wales.

Rachel's Dairy in Aberystwyth has established itself as a supplier of organic yoghurts to a number of big retailers, while Aeron Valley Farm, South Caernarfon Creameries, Abergavenny Fine Foods, and small specialist suppliers – such as Caws Ffermdy Cenarth – are part of a growing cheese-making sector.

In milk, too, a Welsh-branded product has emerged from Elm Dairies in St. Clears which has persuaded supermarket groups, Safeway and Sainsburys, to take their Lilwen branded product and to market it to customers in Wales as Welsh milk.

In water, there are now ten spring and nine mineral water producers, including Tŷ Nant which has managed to secure a sizeable export market for its distinctive deep blue bottles of water. No fewer than 14 vineyards have also sprung up – including five which produce sparkling wine – the farthest north in Llangollen in north Wales.

The intention is to create specialist groups within these and other sectors, operating under a common logo and able to promote the products of the sector as a whole.

Other initiatives include a study aided by EU funds into the distribution problems faced by Welsh food producers. This will try to ease the problems the industry faces in getting its products to supermarkets, hotels, restaurants and other outlets in the rest of the UK and beyond.

The new Welsh Secretary, Mr Ron Davies, has given his strong support to the efforts now being made within the sector. The successful promotion of Welsh food, he points out, can help to secure agriculture's vital role in Wales at a time when funding will inevitably come under pressure as a result of CAP reform and the entry into the EU of new members. "We have to promote a Welsh food identity and it has to have a strong association with reliability and quality," he argues.

With relatively limited UK government support funds available, the progress the sector is likely to make is likely to be steady rather than spectacular, but it does start with the advantage of a wholesome image.

Research by WFP shows that consumers in Britain's big cities, many of whom will have travelled through Wales on holiday, see Wales as as a very green, clean and pure place for producing the safe foods – including organic foods – they now regard, in a much more questioning age, as vital.

RURAL WALES • by Richard Wolffe

New moves to boost regional economy

There are EU grants to woo investors to an area that can boast of spectacularly green surroundings

They call it "The British Business Park", but the marketing slogan for rural Wales scarcely describes the sheer size and diversity of the region and its economy.

The concept of a giant business park may be a neat summary of the region's best-selling point to investors – as a relatively low-cost location in some spectacularly green surroundings. But it also glosses over the challenges facing a region which suffers low wages, under-employment and an over-reliance on agriculture.

Rural Wales in fact covers 40 per cent of Wales, stretching 3,000 sq miles from Cardigan on the west coast to the market town of Welshpool close to the English border. The task of the Development Board for Rural Wales (DBRW) is to boost the economy across its region, while at the same time protecting its most precious asset – the environment.

At its launch 20 years ago, the DBRW was faced with substantial long-term decline. The region's population had sharply fallen since the turn of the century from almost 225,000 to around 185,000. The lead mines and slate quarries which had supplied the building materials for the Victorian era had largely disappeared, along with its workforce.

However, since the 1970s, the trend has been comprehensively reversed. The population has returned to more than 215,000 as new business – including a wholly new manufacturing sector – has taken root in the rural economy. Manufacturing jobs grew by 14 per cent during the 1980s, compared to a 24 per cent decline in the UK overall.

Improved road links with the UK's industrial heartland of the West Midlands have helped to attract new manufacturers to the area around Newtown and Welshpool. But further costly roads are unlikely, with constrained public finances leading only to minor improvements at bottleneck junctions and dangerous bends.


The rural environment is the region's most valuable asset

Instead, the DBRW is taking on a different tack in more distant areas. Mr John Taylor, chief executive, says: "It certainly costs more to send goods to market from rural Wales so we are looking to companies producing high value-added items, where transport is not a massive disadvantage.

"But we have not been able to replicate the relative success of the manufacturing economy near to the West Midlands. So, in the west in particular, we have looked at a more customised approach. For instance, we have two big universities in Aberystwyth and Lampeter, and we are looking at science and technology spin-offs there."

Rural Wales can at least draw on EU grants to woo investors, as the region is covered by so-called Objective 5b status, as a deprived agricultural area. Agricultural jobs – which account for one-in-four jobs – are expected to decline by 5,000 in the next 10 years.

Much of the area certainly suffers deprivation. The average weekly wage in rural Wales is around £295, compared to £331 in Wales overall and £375 in the UK. At the same time, the rural economy suffers from a high proportion of people who are simply outside the job market, particularly women.

The DBRW's plan is to build on the agricultural nature of rural Wales by encouraging growth in areas such as food processing.

Halo Foods, based in Tywyn on the edge of the Snowdonia National Park, is typical of the kind of business the DBRW is keen to promote. Having started life selling honey to seaside tourists, the company has become a leader in low-fat chocolate bars. Halo argues that its base in a small community is a supportive, rather than restrictive, factor in its expansion.

However, other employers around boom towns such as Newtown have found the workforce of rural Wales restricted by the geography and lack of transport links. The Mid-Wales Manufacturing Group says skills shortages have forced small employers to club together to provide young workers with training. The innovative Shared Apprentice Scheme offers trainees wide-ranging experience with a group of small employers, who could not provide the breadth of training on their own.

Mr Tony Orme, co-ordinator of the Mid-Wales Manufacturing Group, says: "The alternative is to bring people over the border from places such as Telford, but there is no housing or facilities to cater for them here. People are crying out for workers, but they cannot get them into areas such as Newtown because the public transport is so bad."

FT MANAGED FUNDS SERVICE

Offshore Funds

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd
Pembroke Hall, Pembroke, Bermuda
UK Fund Advisers 0800 414181 Jersey 01534 71696
Private Clients 0800 414181 00 352 250404230
From O'seas (44) 1732 777377 Hong Kong (852) 848 1000

	Init Sales Chrge	Selling Price	Buying Price	+ or -	Yield Gr's
A$ Accum		A$19.809		+0.007	4.30
C$ Accum		C$19.675		+0.003	2.10
DM Accum		DM38.854		+0.005	1.90
DFl Accum		DFl32.604		+0.005	1.50
ECU Accum		Ecu13.777		+0.005	2.90
FFr Accum		FFr83.040		—	2.10
HK$ Accum		HK$125.04		+0.05	4.80
Lire Accum		L24670		+11	5.80
NZ$ Accum		NZ$41.795		+0.019	6.00
£ Accum		£13.668		+0.006	5.40
SFr Accum		SFr23.485		+0.001	0.30
US$ Accum		$24.282		+0.008	4.80
Yen Accum		Y2082.3		—	0.10

Prices for dealing July 9

Jupiter Asset Management (Bermuda) Ltd
PO Box HM1258, Hamilton, Bermuda 001 809 292 2760
Jupiter Tyndall World Umbrella Fund Ltd

	Selling Price	Buying Price	+ or -	Yield Gr's
Eurobond	$16.35	17.07	+0.09	4.22
Money	$14.44	15.18	+0.01	2
Mortgage	C$24.65	25.18	-0.02	6.57
North American	$16.43	17.25	+0.35	0.00
Overseas	$17.58	18.45	+0.18	0.00
Tiger	$17.07	17.94	+0.18	0.00
UK Small Cos	£7.42	1.50	+0.01	0.60

Newport Investment Management
20 Reid St, PO Box HM 3308 Hamilton Bermuda
UK: 0171 335 0085 Dealing: 01481 707000

Royal Bk of Canada O/S Fd Mgrs Ltd
PO Box 246, St Peter Port, Guernsey 01481 723021
Global Funds

	Init Sales Chrge	Selling Price	Buying Price	+ or -	Yield Gr's
Cont Euro Class F	0	[illegible]	31.807	—	-
Cont Euro Class Acc F	0	[illegible]	31.[illegible]	—	-
Sterling Intl Cap Class F	0	£11.952	12.164	—	-
Sterling Intl Cap Class Acc F	0	£12.[illegible]	12.2[illegible]	—	-
Intl Bond Class F	0	$13.[illegible]	13.908	+0.054	-
Intl Bond Class Acc F	0	$14.381	14.432	+0.069	-
Asian Growth Class F	0	$9.327	9.514	+0.039	-
Asian Growth Class Acc F	0	$9.352	9.540	+0.039	-
Japan Class F	0	Y[illegible]	459.073	-3.415	-
Japan Class Acc F	0	Y[illegible]	459.073	-3.415	-
Canadian Class F	0	C$[illegible]	29.633	—	-
Canadian Class Acc F	0	C$[illegible]	29.633	—	-
USA Class F	0	$41.242	41.739	—	-
USA Class Acc F	0	$41.242	41.739	—	-
Dollar Intl Cap Class F	0	$9.076	9.090	—	-
Dollar Intl Cap Class Acc F	0	$9.[illegible]	9.119	—	-
UK Equity Class F	0	£7.[illegible]	7.369	—	-
UK Equity Class Acc F	0	£7.501	7.510	—	-
North American Bond Cl Inc F	0	[illegible]	102.651	—	-
North American Bond Cl Acc		[illegible]	108.[illegible]	—	-
European Bond Cl Inc F	0	[illegible]	115.[illegible]	—	-
European Bond Cl Acc F	0	[illegible]	120.734	—	-
Swiss Franc Bond Cl Inc F	0	[illegible]	108.364	—	-
Swiss Franc Bond Cl Acc F	0	[illegible]	107.002	—	-
UK Bond Cl Inc F	0	£0.5142	0.5151	—	5.78
UK Bond Cl Acc F	0	£0.5573	0.5583	—	0.00
Latin America Inc F	0	$12.[illegible]	12.1880	+0.270	-
Latin America Acc F	0	$12.[illegible]	12.1880	+0.270	-

Intl Currencies Fd Ltd

	Selling Price	+ or -	Yield Gr's
US$	$45.24	+0.01	4.02
Canadian $	C$37.33	+0.01	2.42
£ Sterling	£31.09	—	5.73
D-Mark	DM[illegible].35	—	2.27
Swiss Francs	SFr35.78	—	0.48
Japanese Yen	Y2540	—	0.34
Managed Fund	$44.82	-0.02	-

Latest Fund Prices 24hr service 01481 712843

Sarasin Funds Mngmt (Guernsey) Ltd
PO Box 246, St Peter Port, Guernsey 01481 725021

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

	Init Sales Chrge	Selling Price	Buying Price	+ or -	Yield Gr's
American F		320.2		—	0.00
American F		$5.405		+3.2	0.00
Asia Pacific F		249.1		—	0.00
Asia Pacific F		$4.205		-2.1	0.00
China Opportunities F		239.7		—	0.00
China Opportunities F		$4.046		-11.8	0.00
European Growth F		375.9		—	0.00
European Growth F		DM11.19		+16.0	0.00
Global Growth F		187.6		+1.7	0.00
Japan Growth F		129.6		—	0.00
Japan Growth F		$2.188		-1.1	0.00
India Opportunities F	5	$11.18		+3.0	0.00
Sterling High Yield F		126.9		-0.1	5.80
Technology F		$5.651		+7.3	0.00
UK Equity Income F		194.2xd		-0.9	2.89
World Bond F		126.1		+0.1	5.22

Scottish Value Management (Ireland) Ltd (z)
St Stephen's Green, Dublin 2 00 35314767501

	Init Sales Chrge	Selling Price	Buying Price	+ or -	Yield Gr's
UK Growth		£2.83	2.87	—	-
European Growth		£3.38	3.44	—	-
Broker Value		£1.3184		—	-
Relative Value H		£1.0505		—	-

Singer & Friedlander Inv Funds Ltd (z)
21 New Street, Bishopsgate, EC2M 4HR 0171-626 0226

	Init Sales Chrge	Selling Price	Buying Price	+ or -	Yield Gr's
UK Equity Income	4½	103.96xd		-0.10	4.61
UK Equity Income	4½	DM3.05xd		-0.01	4.61
UK Equity Income	4½	$1.75xd		-0.01	4.61

	Selling Price	Buying Price	+ or -	Yield Gross
Berkshire KITC Growth Fund Plc				
NAV	$5.88		+0.15	-
Berkshire Korea Fund Plc				
NAV	$1.59		-0.21	-
Blackstone Franks Managers Ireland Ltd				
[illegible]	£9.25	9.65	—	-
Bordier Invest (Ireland) Ltd				
[illegible] Korea Fd NAV Jul 4	$57.92		—	-
Buchanan Asset Management (Ireland) Ltd				
Japan Performance B	$9.6602		—	-
UK Performance	£11.5885		—	-
CFP Interest Rate Arbitrage Fund Plc				
NAV	$11.18		—	0.00
CalyLus Fund				
NAV	$118.00		+0.05	-
Capital Vision Fund Plc				
NAV	$3.64		+0.09	-
Chemical Ireland Fund Administrators Ltd				
Nikko East Asia Class A	$11.3894		—	-
Nikko East Asia Class B	$17.2581		—	-
Taj Performance	$8.12		—	-

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

IRELAND (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

FT MANAGED FUNDS SERVICE

Offshore Funds and Insurances

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BAII Asset Management Ltd
10 Piccadilly, London W1V 0EE 0171 734 3700

	Selling Price	Buying Price	+ or -	Yield Grs
Intermarket NAV Jun 13 F	$558.40		+8.84	-
Interportfolio Fund				
Convertible (USD) Jun 16	$758.40		-	-
Convertible (FFr) Jun 16 F	FFr3347.47		-	-
Comfort (USD) 2	$538.23		-	-

Bank Von Ernst & Cie AG
Marktgasse 63/65 3001 Basel Switzerland 0041 313251111

	Selling Price	Buying Price	+ or -	Yield Grs
UK Equity	£17.10		-0.14	-
UK Smaller Co's Eqty	£25.87		-0.13	-
Nth American Equity	$17.32		+0.09	-
US Smaller Co's Eqty	$23.59		-0.09	-
Pacific Basin Equity	$15.94		-0.07	-
Japanese Equity	Y579		-1	-
European Equity	DM16.54		-0.06	-
Swiss Equity	SFr17.31		+0.17	-
Sterling Fixed Int	£15.92		-0.02	-
Sterling Fixed Int Div	£10.61		-0.02	-
European Fixed Int	DM13.75		+0.01	-
European Fixed Int Div	DM9.43		+0.01	-
DM Bond Cap	DM11.33		+0.01	-
DM Short Term Cap	DM10.18		-	-
Global Equity	$13.54		-0.02	-
Global Bond	$13.09		-0.02	-
Global Bond Div	$9.70		-0.02	-
Global Managed	DM22.79		+0.04	-
Swiss Franc Short Term Div	SFr8.80		-	-
Swiss Franc Short Term Cap	SFr9.80		-	-
Swiss Franc Bonds Div	SFr10.25		-0.01	-
Swiss Franc Bonds Cap	SFr10.25		-0.01	-

Banque Indosuez
39 Allee Scheffer, L-2520 Luxembourg 00352 47671

	Selling Price	Buying Price	+ or -	Yield Grs
Indosuez European Small Cos	DM15.38		-	-
Indosuez Multimedia	$17.33		(z)	-

Barclays Diversified Portfolio (z)
50 avenue J.F. Kennedy, L-2951 352 4799 2936

GT Global
(44) 171 710 4567 London (852) 2842 7230 Hong Kong

	Selling Price	Buying Price	+ or -	Yield Grs
GT Europe A	$83.49	87.89	+0.08	0.00
GT Europe A	£49.90	52.11	+0.05	0.00
GT Europe B	$83.70		+0.08	0.00
GT Europe B	£49.89		+0.05	0.00
GT Investment A	$38.31	40.33	+0.08	0.00
GT Investment A	£22.71	23.91	+0.05	0.00
GT Investment B	$38.41		+0.08	0.00
GT Investment B	£22.77		+0.05	0.00
GT US Small Cos A	$36.79	38.72	+0.16	0.00
GT US Small Cos A	£21.87	22.98	+0.09	0.00
GT US Small Cos B	$36.83		+0.16	-
GT US Small Cos B	£21.87		+0.09	0.00

HSBC Investment Funds Luxembourg SA (u)
7 rue du Marche-aux-Herbes L-1728 Luxembourg
Dealing: 00 352 47681220 Fax 475569

HSBC Global Investment Funds
International and Regional Funds

	Selling Price	Buying Price	+ or -	Yield Grs
Asian Equity	$32.04	33.82	-0.32	-
International Emerging Mkts	$11.69	12.33	+0.10	-
International Managed Equity	$19.31	20.38	+0.08	-
North American Equity	$21.02	22.18	+0.20	0.00
Pan-European Equity	$18.87	19.92	—	-
Market Specific				
Chinese Equity	$31.58	33.33	-0.70	-
Hong Kong Equity	$68.25	72.04	-1.76	-
Indian Equity F	$11.13	11.75	+0.40	-
Japanese Equity	$12.67	13.38	+0.06	-
Malaysian Equity	$32.48	34.29	-0.46	-
Singaporean Equity	$29.57	31.21	-0.51	-
Bond and Reserve Funds				
International Managed Bond	$12.81	13.52	-0.11	-
Sterling Bond	£5.16	5.45	—	-
US Dollar Bond	$10.49	11.08	-0.01	-
US Dollar Reserve	$8.60	9.08	-0.02	-

Henderson Management SA (u)
60 rte de Treves, L-2633 Senningerberg, Lux
0171-638 5757 or 00-352 348622

LUXEMBOURG (REGULATED)(**)

OFFSHORE INSURANCES

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● MANAGED FUNDS NOTES

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

CHEMICALS - Cont.

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ENGINEERING

ENGINEERING - Cont.

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INSURANCE - Cont.

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

The following investment trusts are not eligible for inclusion in the FTSE Actuaries Share Indices.

Approved by the Inland Revenue

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MEDIA - Cont.

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SUPPORT SERVICES

[illegible]

SUPPORT SERVICES - Cont.

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Cont.

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind R		£26¼	—	*£28¼	£20¼	2,011	2.7	Φ
Barlow	‡†	[illegible]	—	[illegible]	[illegible]	1,328	2.2	13.9
Gold Flds Prop R	†	171½	—	189½	120	17.5	4.9	13.5
SA Brews		[illegible]	[illegible]	[illegible]	£13¼	5,219	2.1	Φ
Standard Bank		[illegible]	[illegible]	[illegible]	221	3,282	1.9	Φ
Tiger Oats	†	1092xd	-10	1180	770	1,514	1.8	19.7
Tongaat-Hulett		730½xd	+2½	813	576¼	709.3	2.5	Φ

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Φ Figures or report awaited
- ♥ Rule 2.1(a)(v) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates for 1996-97
c Yield based on prospectus or other official estimates for 1996
f Indicated dividend yield, p/e ratio based on latest annual earnings.
i Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
z Dividend yield includes a special payment

F Yield based on prospectus or other official estimates for 1995-97
[illegible]
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1997-98.
N Dividend is paid in whole or part as a

FID (Foreign Income Dividend)
R Forecast annualised yield, p/e based on
[illegible]

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1425 a year for each security shown, subject to the Editor's discretion

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LONDON STOCK EXCHANGE

Equity market braced for interest rate news

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

A growing feeling that a rise in UK interest rates is now factored into the market brought a better mood to equities yesterday.

Recent perceptions that high street spending is now galloping ahead were confirmed yesterday by news that sales at Dixons, one of the UK's leading high street retailers, had been boosted by "windfall" spending.

Such spending is one of the reasons why a rate rise is believed to be needed to head off inflationary pressures.

The pound's continued strength remained one of the factors damaging sentiment, with some dealers still talking the "sterling up, market down" story. But there was similarly the feeling that much of the currency damage had been taken on board.

At the close, the FTSE 100 index showed a 3.9 gain at 4,762.4, its first positive performance in four trading sessions, but that move disguised another erratic display by the leaders. The FTSE 250 and FTSE SmallCap indices were much less convincing.

The 250 index managed an initial nudge higher, pushing up 3.4 at the start of trading, but quickly fell away to post an 8.4 loss before finishing 5.3 off at 4,395.5. The SmallCap, like the 250 index, a poor performer relative to the FTSE 100, closed down 4.3 at 2,213.0.

Earlier, Footsie had kicked off in good shape after an early bout of buying interest stimulated by Wall Street's overnight surge which drove the Dow Jones Industrial Average up over 100 points to a closing record.

But the extreme nervousness caused by the expected rate change led to flurries of selling pressure and drove Footsie down to a session low of 4,729.8 soon after the opening.

Thereafter sentiment gradually recovered, helped by a firm opening on Wall Street, before turning off again in the late afternoon when the US market reversed. The Dow got to within 11 points of the 8,000 mark but showed a 30-point decline as London closed for the day.

Dixons' sparkling results and the accompanying trading statement about the impact of windfall money on high street sales gave a big lift to retailers which occupied nine of the top 12 places in the FTSE 100 performance table.

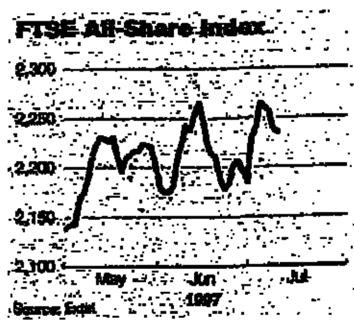
On the other hand, the currency story continued to affect Wolseley, Reuters and Pearson shares.

NatWest Securities remains firmly in the bearish camp regarding UK equities. "Our Budget night judgment stands. The period of underperformance by the UK equity market is set to continue. The Monetary Policy Committee is set to tighten short-term interest rates with the prospect of more to come. Upward pressure on sterling will not disappear and therefore we are due a fresh swathe of profit downgrades," the broker said.

"We would underweight UK equities and prefer other sterling assets, like gilts or property," it added.

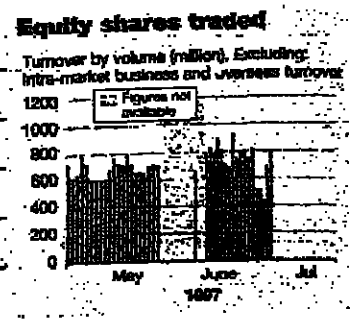
Turnover in equities was 934.8m shares compared with Tuesday's 902.3m.

FTSE All-Share Index



Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FTSE 100	4762.4	+3.9
FTSE 250	4395.5	-5.3
FTSE 350	2286.0	+1.0
FTSE All-Share	2236.64	+0.62
FTSE All-Share yield	3.47	3.47
FT 30	3030.1	+5.6
FTSE Non-Fins p/e	18.84	18.84
FTSE 100 Fut Sep	4775.0	-5.0
10 yr Gilt yield	7.13	7.08
Long gilt/equity yld ratio	2.05	2.04

Best performing sectors

1 Retailers: General ....+3.0
2 Retailers: Food ....+2.4
3 Transport ....+1.4
4 Insurance ....+1.3
5 Engineering: Vehcls ....+1.1

Worst performing sectors

1 Tobacco ....-1.9
2 Health Care ....-1.5
3 Leisure & Hotels ....-1.2
4 Media ....-1.1
5 Household Goods ....-1.0

Merrill boosts S-Kline

By Peter John and Martin Brice

SmithKline Beecham moved higher, despite strong recent outperformance against the market, as a leading US broker selected the stock as one of its key global plays.

The recommendation, by Merrill Lynch, encompasses Roche, Eli Lilly, Warner Lambert and Novartis. It comes at a time when SmithKline has experienced already a 12 per cent surge in two weeks. Over the past 12 months, it has outperformed the market by 45 per cent.

Merrill highlights SmithKline's new product rollout including new vaccines and new drugs which, it says "should result in faster eps growth over the next few years and a stable p/e".

As well as being at the top of Merrill's pharmaceuticals list, SmithKline is also one of the UK's "big five". BZW pointed out recently that, while the FTSE 100 rose 500 points in the first half, almost 60 per cent of that rise reflected the performance of five key stocks.

The remaining four are HSBC, Glaxo Wellcome, Lloyds TSB and Shell. SmithKline closed 5½ higher at £11.74p. HSBC dropped 10 to £19.42½ despite some support from a warrant issue by BZW. The UK investment bank issued 25m European-style warrants on the spread between HSBC Hong Kong dollar stock and the ordinaries. Glaxo dipped 13½ to £13.14. Lloyds added 6 at 674½p and Shell slipped 4½ to 422p.

The startling rise in profits at Dixons and its bullish statement on trading was one of the biggest features of the market yesterday, sending its shares up 44 to 536½p, making it the biggest riser and one of the most heavily-traded FTSE 100 stocks.

The trading statement was said by one analyst to be very significant because "it is the first retailer to report very convincing evidence that some of the windfall money [from building society demutualisations] is being spent in the shops".

While the figures came in at the top end of expectations it was the tone of the current trading statement that sent analysts scurrying to upgrade forecasts. The company said like-for-like sales for the first nine weeks of this year were 17 per cent ahead of the the same period last time.

Among others to upgrade forecasts were NatWest Securities, which shifted from £220m for this year to about £235m, and Dresdner Kleinwort Benson, which shifted from £217m to £240m.

Although Dixons cautioned that the windfall spending trend would not last throughout the year, the news put a spring in the step of similar stocks. Fellow white goods retailer Kingfisher was the most notable gainer, up 28 to 692½p.

One analyst said electrical retailers seemed set to benefit from spending, particularly on PCs, but added: "People are buying stocks with good management and good brands. But what's interesting is what is not happening. Storehouse is not up, although a trading statement is expected at its AGM." Storehouse, down a penny to 188p, holds its annual meeting today.

Among stocks seen as well-managed with strong brands, GUS was up 16½ to 614½p and Marks and Spencer rose 26½ to 534½p, while Boots advanced 20½ to 782p and Next put on 23 to close at 708½p.

Takeover speculation was once more splashing all over Wessex Water as the shares continued their seemingly remorseless climb.

Up 80p or 20 per cent over the last fortnight the shares even shrugged aside the usual blip when they went ex dividend. Yesterday they added 9 at 465½p.

Water stocks have risen sharply as the market welcomed the level of the government's windfall tax as being at the low end of consensus forecasts. Nevertheless, Wessex has outperformed the sector by 5 per cent since June 25.

Reuters Holdings, the news and financial information group, dropped 23½ to 568p on concern about the effect of a strong pound on earnings projections.

Salomon cut its estimates for Reuters as part of a review of the media sector and other downgrades have been predicted. For 1997, Salomon cut its profit estimate to £700m from £720m and for 1998 to £737m from £815m.

Salomon also reduced its forecasts for Pearson, the media conglomerate which owns the Financial Times. The media team reduced its current year forecast by £14m to £280m excluding exceptionals and next year's by £16.5m to £353.5m.

Elsewhere in the sector, Salomon took the knife to EMI, Reed International, and to a lesser extent, United News & Media and WPP.

Pearson shed 18 to 687½p on heavy turnover of 6.1m shares. EMI dipped 2½ to £11.07½ but Reed added 8 to 583p. United News was a penny up at 689½p and WPP eased 1½ to 241½p.

Food retailers benefited from expectations of an expected interest rate rise today. Sentiment was also helped by hints of food price inflation in the retail price index released on Tuesday.

Asda advanced 1¾ to 139¼p, Safeway rose 12 to 387p and Tesco was up 14½ at 423p. J Sainsbury put on 11½ to 399¼p, helped by a statement at its annual meeting that its supermarkets achieved like-for-like sales growth of 4.2 per cent in the 16 weeks to the end of June, and gross margins in food retailing were stable.

Technical analysts at Merrill Lynch have told clients that current high levels of the FTSE 100 means "traditionally defensive sectors such as food retailers are gaining in appeal. This sector has the added benefit of actually gaining from a stronger currency."

Companies with overseas earnings continued to suffer as traders pondered the effects on the already-strong pound of a possible interest rate rise today. Those in the firing line included Vickers, off 4 to 177p; Morgan Crucible, down 12½ to 408p; and Wolseley, which gave up 20 to close at 425½p.

However, British Steel, which has seen some buying from across the Atlantic because it is the most geared play on strong sterling in the FTSE 100, regained some of its recent losses to rise 2 to 141½p. Also, TI Group rebounded 9½ to 466p, helped by a "buy" note from Paribas.

British Biotech fell 15½ to 185½p despite results in line with forecasts. Analysts focused instead on launch prospects for cancer drug Marimastat and Zacutex, the acute-pancreatitis drug.

Medeva dropped 14 to 248p on worries about the company's anti-obesity drug.

MAID jumped 17½ to 172½p as the media group announced a venture with Frost & Sullivan.

FT 30 INDEX

	Jul 9	Jul 8	Jul 7	Jul 4	Jul 3	Yr ago	*High	*Low
FT 30	3030.1	3024.5	3051.7	3050.5	3082.0	2768.2	3077.4	2668.8
Ord. div. yield	3.63	3.64	3.61	3.61	3.58	4.02	4.22	3.56
P/E ratio net	18.27	18.25	18.41	18.41	18.53	16.40	18.64	15.80
P/E ratio nil	18.06	18.06	18.22	18.22	18.34	16.30	18.45	15.71

FT 30 since compilation: high 3077.4 13/06/97; low 49.4 26/06/40. Base Date: 1/7/35.

FT 30 hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
3031.4	3010.7	3016.7	3029.6	3029.7	3037.1	3036.1	3039.5	3028.5	3039.7	3006.4

	Jul 9	Jul 8	Jul 7	Jul 4	Jul 3	Yr ago
SEAQ bargains	48,488	51,896	56,382	58,069	58,417	28,145
Equity turnover (£m)†	NA	NA	2181.1	1643.7	2349.0	2042.8
Equity bargains†	NA	NA	50,600	51,586	46,938	32,971
Shares traded (ml)†	NA	NA	632.3	786.4	689.4	756.7

†Excluding intra-market and overseas turnover but including Crest turnover.

 *For 1997.

■ London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	691	Total Highs	95	Total contracts	49,671
Total Falls	740	Total Lows	135	Calls	15,495
Same	1,636			Puts	34,176

Jul 9 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FTSE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	4785.0	4773.0	-	4803.5	4720.0	12169	67325
Dec	4863.0	4836.0	-1.0	4863.0	4863.0	50	4098
Mar	4903.0	4876.0	-2.0	4903.0	4903.0	50	51

■ FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep		4456.0	-4.0			0	7131

■ FTSE 100 INDEX OPTION (LIFFE) (*4760) £10 per full index point

Calls 1,811 Puts 2,530

■ EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

Calls 7,444 Puts 13,767 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1997 High	1997 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§	F.P.	67.2	127½	124½	Ashtenne	126½		W5.0	1.8	4.9	14.2
§150	F.P.	30.5	152½	149½	AIT	150½		L1.38	3.9	1.1	28.3
3	F.P.	2.75	3¾	3¾	†Bakery Services	3¾		-	-	-	20.5
*	F.P.	2.02	26	24	†Euro Mining Fin	25	+½	-	-	-	-
§2.5	F.P.	3.00	3½	3	Grosmont Hldgs	3		-	-	-	-
§	F.P.	1.20	1	½	Grosmont Hld Wrt	1		-	-	-	-
§120	F.P.	10.1	127½	122½	†Highland Timber	122½		-	-	-	-
290	F.P.	6,272	357½	318½	Norwich Union	325½	+3½	L10.6	1.8	4.1	16.9
§185	F.P.	119.7	202½	185½	Powderject Pharm	202½		-	-	-	-
§	F.P.	13.6	140½	135½	Primesight	135½	-4½	-	-	-	13.6
100	F.P.	35.3	112½	89½	Rasbourne Merlin	110½		-	-	-	-
§	F.P.	69.4	227	204½	Royalblue Grp	210		1.5	2.6	0.9	53.3
§100	F.P.	7.99	120½	110½	†SBS Group	112½		L2.4	2.0	2.7	19.8
§150	F.P.	117.0	157½	154½	SGB Group	156		L4.4	2.8	3.5	12.7
*	F.P.	4,720	378½	294	Woolwich	295	-6	L7.9	2.1	3.3	17.6

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1997 High	1997 Low	Stock	Closing price p	+or-
200	Nil	16/7	24½pm	7½pm	Benchmark Group	15½pm	
2	Nil	21/7	1½pm	¾pm	Dragon Oil	1pm	
20	Nil	28/7	27½pm	2¾pm	Mackie Intl	9pm	
17.5	Nil	22/7	1¼pm	¾pm	Marylebone Wrwk	¾pm	
1	Nil	15/7	½pm	¼pm	Millwall Hldgs	¼pm	
75	Nil	11/7	7½pm	5pm	Waterfall Hldgs	5½pm	

pm premium.

FTSE GOLD MINES INDEX

	Jul 8	% chg on day	Jul 7	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (31)	1292.82	+1.7	1270.14	2076.11	2.40	–	2130.03	1270.14
■ Regional indices								
Africa (14)	1342.75	+1.0	1330.00	2056.20	6.51	21.62	2917.88	1330.00
Australasia (6)	1336.10	-5.5	1414.42	2304.43	3.84	15.17	2455.10	1336.10
North America (11)	1283.48	+3.2	1244.23	1824.26	0.81	66.73	1884.06	1244.23

 Figures in brackets show number of companies. Basis US Dollars. Base Value: 1000.00 31/12/92. † Partial. Latest prices were unavailable for this edition.

FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	Jul 9	Day's chge%	Jul 8	Jul 7	Jul 4	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	4762.4	+0.1	4758.5	4810.7	4812.8	3765.8	3.42	2.04	17.89	86.95	2032.00
FTSE 250	4395.5	-0.1	4400.8	4426.9	4453.0	4352.3	3.77	1.81	20.54	92.73	1838.82
FTSE 250 ex IT	4390.8	-0.1	4396.7	4424.1	4451.0	4389.2	3.93	1.64	19.36	95.57	1842.18
FTSE 350	2286.0	....	2285.0	2308.0	2311.3	1892.3	3.49	1.95	18.33	42.94	1993.00
FTSE 350 ex IT	2286.1	....	2285.1	2308.4	2311.6	–	3.51	1.98	18.10	10.96	1022.21
FTSE 350 Higher Yield	2228.1	-0.1	2231.4	2259.1	2265.2	1811.7	4.70	1.76	15.09	51.46	1646.56
FTSE 350 Lower Yield	2349.8	+0.2	2344.9	2363.7	2364.7	1960.1	2.48	2.26	22.35	33.88	1675.74
FTSE SmallCap	2212.97	-0.2	2217.28	2224.38	2226.62	2166.43	3.20	1.74	22.51	39.80	1881.24
FTSE SmallCap ex IT	2182.06	-0.3	2187.79	2196.05	2198.22	2166.65	3.46	1.82	19.83	42.80	1871.00
FTSE All-Share	2236.64	....	2236.02	2257.42	2260.61	1874.21	3.47	1.94	18.57	41.91	1979.12
FTSE All-Share ex IT	2238.26	....	2235.66	2257.59	2260.66	–	3.51	1.96	18.19	10.98	1017.86

■ FTSE Actuaries Industry Sectors

	Jul 9	Day's chge%	Jul 8	Jul 7	Jul 4	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(20)	4576.26	-0.7	4607.40	4688.34	4660.51	3560.45	3.34	2.01	18.62	85.78	2048.62
12 Extractive Industries(5)	4222.83	-0.1	4225.24	4270.51	4347.63	4223.86	3.73	2.38	14.07	104.80	1290.78
15 Oil, Integrated(3)	4784.96	-0.8	4822.13	4925.91	4874.73	3649.31	3.49	1.95	18.40	90.43	2202.19
16 Oil Exploration & Prod(12)	3783.60	-0.6	3805.56	3770.86	3790.79	2470.27	1.53	2.21	36.87	38.65	2318.50
20 GEN INDUSTRIALS(265)	1835.50	-0.4	1842.49	1867.44	1872.67	2023.51	4.38	1.89	15.09	40.37	1048.08
21 Building & Construction(35)	1336.37	-0.4	1342.36	1355.39	1374.75	1176.62	3.32	1.96	19.20	25.35	1162.86
22 Building Matls & Merchs(30)	1746.59	-1.0	1763.67	1787.40	1798.38	1879.95	4.82	2.82	9.80	41.89	923.17
23 Chemicals(26)	2324.14	-0.9	2346.20	2354.94	2351.34	2444.67	4.55	1.48	18.63	59.10	1157.04
24 Diversified Industrials(15)	1294.68	+0.4	1290.08	1288.44	1288.54	1539.22	5.75	1.97	11.02	38.47	768.18
25 Electronic & Elect Equip(37)	1982.60	-0.2	1987.65	2079.54	2097.44	2331.59	4.09	1.58	19.29	17.22	1061.57
26 Engineering(68)	2389.98	-0.4	2400.01	2438.38	2431.06	2449.89	3.58	2.26	15.36	46.55	1505.72

■ FTSE Actuaries hourly movements

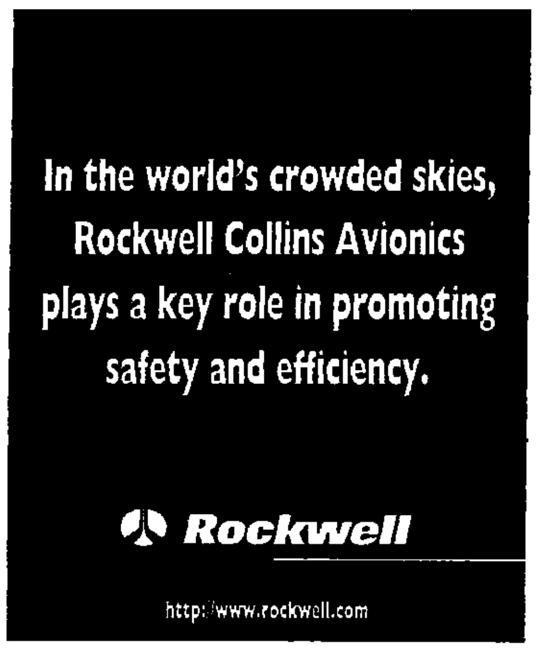
TRADING VOLUME

■ Major Stocks Yesterday

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE



PACIFIC

AFRICA

NORTH AMERICA

INDICES

INDEX FUTURES

US INDICES

Dow Jones	Jul 8	Jul 7	Jul 3	1997 High	1997 Low	Since compilation High	Since compilation Low
Industrials	7962.31	7858.49	7895.81	7962.31 (8/7)	6391.69 (11/4)	7962.31 (8/7/97)	41.22 (8/7/32)
Home Bonds	103.77	103.75	103.47	103.77 (8/7)	101.09 (14/4)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	2821.62	2812.21	2797.60	2821.62 (8/7)	2222.07 (2/1)	2821.62 (8/7/97)	13.23 (8/7/32)
Utilities	232.30	231.24	232.77	240.86 (22/1)	209.47 (25/4)	256.48 (31/8/93)	16.53 (8/7/32)

DJ Ind. Day's high 8000.08 (7983.79) Low 7824.33 (7805.33) (Theoretical‡)
Day's high 7982.31 (7951.45) Low 7857.13 (7828.18) (Actual‡)

Standard and Poors	Jul 8	Jul 7	Jul 3	1997 High	1997 Low	Since compilation High	Since compilation Low
Composite‡	918.75	912.20	916.92	918.75 (8/7)	737.01 (2/1)	918.75 (8/7/97)	4.40 (1/6/32)
Industrials♥	1081.84	1072.61	1077.04	1081.84 (8/7)	865.42 (11/4)	1081.84 (8/7/97)	3.52 (30/6/32)
Financial	104.72	104.67	105.75	105.75 (3/7)	80.75 (2/1)	105.75 (3/7/97)	7.13 (4/9/74)
NYSE Comp.	478.49	475.55	477.68	478.49 (8/7)	389.47 (11/4)	478.48 (8/7/97)	4.64 (25/4/42)
Amex Comp.	634.11	631.97	634.34	634.34 (3/7)	541.20 (28/4)	634.34 (3/7/97)	524.20 (16/7/96)
NASDAQ Cmp	1485.10	1470.74	1467.51	1485.10 (8/7)	1201.00 (2/4)	1485.10 (8/7/97)	54.87 (3/10/74)

■ RATIOS

	Jul 3	Jun 27	Jun 20	Year ago
Dow Jones Ind. Div. Yield	1.69	1.67	1.65	2.22
	Jul 2	Jun 25	Jun 18	Year ago
S & P Ind. Div. yield	1.58	1.62	1.59	1.87
S & P Ind. P/E ratio	24.75	24.35	24.27	22.29

■ NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Change on day
Eqult Office	12,509,200	26⅝	+5⅝
Motorola	8,138,100	82¼	+2¼
Compaq	5,958,800	119¾	+5
Micron	5,889,600	43⅛	+1⅜
Philip Morris	4,789,500	44¾	-⅜
Gen Elec	4,750,900	69½	-¾
Kmart	4,641,000	11⅝	+½
Placer Dome	4,429,200	14⅝	+⅜
Intl Paper	4,157,800	56	+4¼
Telefonos	3,910,100	52⅞	+⅞

■ TRADING ACTIVITY

● Volume (million)	Jul 8	Jul 7	Jul 3
New York SE	525.150	522.627	374.580
Amex	23.429	27.124	16.766
NASDAQ	643.865	553.018	376.459
NYSE			
Issues Traded	3,406	3,407	3,313
Rises	1,690	1,472	1,985
Falls	1,129	1,400	754
Unchanged	587	535	574
New Highs	388	510	544
New Lows	22	31	7

■ S&P 500

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Sep	927.60	928.50	+0.70	930.50	926.85	57,794	177,463
Dec	940.00	938.90	+1.20	940.00	938.50	165	5,049

■ Nikkei 225

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	19920.0	19700.0	-220.0	19960.0	19500.0	26,435	167,025

Open interest figures for previous day.

● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ... highs and lows are the averages of the highest and lowest prices reached during the day by each ... and lows represent the highest and lowest values that the index has reached during the day. (The ... ♥ Subject to official recalculation.

Prices supplied by Extel, part of FT Information.

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. * Calendar year high and low # Dealings suspended xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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■ TOKYO - MOST ACTIVE STOCKS: Wednesday, July 9, 1997

	Stocks Traded	Closing Prices	Change on day
Fujitsu	7.5m	1560	+20
NKK Corp	6.1m	229	
Sakura Bank	5.8m	760	-22
Hitachi	4.0m	1260	-20
NEC Corp	3.8m	1570	
Yaohan Japan Cp	3.8m	160	-13
Nippon Steel Cp	3.5m	353	+1
Kobe Steel	3.5m	205	-4
Matsushita E Ind	3.1m	2240	-10
Sanwa Bank	3.0m	1520	-20

NEW YORK STOCK EXCHANGE PRICES

4 pm close July 9

- A -

1997 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
33⅞	24¼	AAR	0.48	1.4	26	452	u34⅛	33⅝	34⅛	+½
45¼	33⅛	AMP	1.04	2.3	37	13093	u46½	45¼	46	+[illegible]
103¼	78¾	AMR			7	4951	96[illegible]	94	94⅛	-1⅛
37⅞	29⅝	ASA	1.20	4.1	19	673	29[illegible]	d29½	29[illegible]	-[illegible]
68[illegible]	49¾	AbbotL	1.08	1.6	26	8237	68⅛	65⅞	65[illegible]	-1¼
18⅝	14⅛	AbitibiPr	0.40	2.3	9	20	17¼	17¼	17¾	
20¼	17⅜	ABM Ind	0.40	2.0	18	175	u20⅜	20	20⅛	-⅛
23⅝	17¾	Acptncela			12	91	u23⅝	23[illegible]	23[illegible]	-[illegible]
77¾	58⅛	ACE Ltd x	0.88	1.2	12	611	77½	76⅜	76½	-¾
10⅜	10	ACM Gvt In x	0.90	8.6	11	325	10½	10[illegible]	10½	
7⅞	7	ACM GvOpp x	0.63	8.1		161	u7⅞	7[illegible]	7[illegible]	
9[illegible]	9¼	ACM Mun x	0.90	9.1		207	u9[illegible]	9⅞	9⅞	-[illegible]
10⅜	6¼	Acme Elect				93	6[illegible]	6½	6⅝	+⅛
20	13	Acme Mills				32	16¾	16½	16¾	
20⅛	14	ACNielsen			37	2134	u20⅜	20¼	20⅜	+¼
40⅛	27¼	Acordia	0.80	2.0	19	35	u40⅛	39⅞	39⅞	-⅛
29¾	21⅛	Acuson				909	22¾	21¾	22½	+¾
24	19⅛	Adams Expr	0.55	2.3	1	273	23⅝	23⅝	23[illegible]	-[illegible]
48½	24⅞	AdvMic				47418	40	37½	39	-⅛
27½	10⅛	Advest Grp x	0.12	0.6	16	577	23¼	21¼	21¾	-1[illegible]
16[illegible]	11⅜	Advo Inc			19	118	16¾	16½	16[illegible]	+⅛
76⅝	61⅛	Aegon[illegible]	1.51	1.8	20	4360	73⅝	73[illegible]	73[illegible]	
5[illegible]	3⅛	Aeroflex				81	4½	4[illegible]	4½	
49⅜	33	Aero-V	0.80	1.7	14	996	48⅞	47¾	48[illegible]	-½

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

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- P - Q -

- R -

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Continued on next page

4 pm close July 9

NYSE PRICES

Continued from previous page

Price data supplied by Extel, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1997. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. ss-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
Dealings suspended.

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4 pm close July 9

AMEX PRICES

4 pm close July 9

NASDAQ NATIONAL MARKET

EASDAQ

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Company	Mid price	Change on day	Volume	High	Low	Company	Mid price	Change on day	Volume	High	Low
ActivCard	US$3.25		104000	8.25	3.25	Lernout & Hauspie	US$28	-0.875	27935	29.375	25
Artwork Systems	US$9.625	-0.25	45175	11.125	9.5	Mercer Int'l	US$8.625		0	11.75	8.125
Chemunex	FFr14.5		0	18	14	NTL	US$24.125	-0.25	0	25.125	23.875
Dr Solomon's ADS	US$20.625	-1	0	27.75	16.875	PorTech	US$3.875		0	6.125	3.875
Esprit Telecom ADS	US$8.25		0	12.25	5.375	Schoeller-Bleckmann	Sch989	+4	19880	1020	900
Innogenetics	US$11.375		33785	12.75	10.375						

Prices for 9/7/97. Please note that mid prices are now used to calculate highs and lows.
Information about EASDAQ can be found on the Web site at: HTTP://WWW.EASDAQ.be
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Dow moves lower as oil shares slide

AMERICAS

After edging close to the 8,000 point level when the market opened, the Dow Jones Industrial Average reversed course and traded lower by early afternoon, with the petroleum sector especially weak, *writes John Labate in New York.*

By midday the Dow had lost 58.82 to 7,903.49 while the broader Standard & Poor's 500 index slid 5.17 to 913.58.

Selling in oil-related stocks helped to drive the Dow downwards following Tuesday's report by the International Energy Agency that future petroleum prices should fall on strong supplies.

Exxon plunged $1 11/16 at $61¾ and Chevron slid $1¼ to $74½. DuPont also suffered, falling $⅞ to $64¼.

"We don't have any big economic news so the focus now is on earnings of individual companies," said Ms Elizabeth Mackay, chief investment strategist at Bear, Stearns in New York.

As the earnings reporting season began heating up, some sectors were heavily influenced by early reports.

Wells Fargo, which surprised the market with a warning that second-quarter earnings would be below analysts' forecasts, plunged $15¼ or more than 5 per cent to $263¾.

Other banking stocks were off, with BankAmerica falling $1 3/16 to $67¾ and JP Morgan down $1 13/16 to $107 3/16.

Philip Morris, down $⅞ at $43 5/16 on a possible unraveling of the recent tobacco agreement, also dragged the Dow lower. International Paper lost $1½ to $54¼.

McDonald's gained $¾ at $49¾ on news of a management reshuffle.

The technology-driven Nasdaq composite index gained 7.03 at 1,492.13.

Motorola's better-than-expected earnings, released late on Tuesday, lifted the technology sector as its own share price gained $3 11/16 to $86 7/16.

Other gainers included Intel, up $4 3/16 at $154 3/16, and Compaq Computer, which rose $2 11/16 at $122⅞.

TORONTO moved higher in narrow, low volume trading. At noon, the 300 composite index was up 22.06 at 6,602.90.

Banks gained ground with Royal Bank of Canada adding 35 cents at C$66.05 and Toronto-Dominion Bank improving 30 cents to C$42.45.

Newbridge Networks ran into profit-taking after Tuesday's surge, dipping10 cents to C$66.10. Golds continued to suffer from weak bullion and Barrick came off 35 cents to C$29.10.

MEXICO CITY finally succumbed to the profit-takers having hit six consecutive record highs by the close on Tuesday. At midsession, the IPC index was off 9.37 at 4,811.77.

SANTIAGO traded quietly throughout a morning of low volume. "We're waiting for the second-quarter results season to get under way. It's all a bit tentative. So far there have been very few leaks," said one broker.

At midsession, the IPSA index was 0.90 firmer at 137.11.

SOUTH AFRICA

Currency and bond market weakness plus renewed bullion price worries combined to push shares in Johannesburg lower. The all-share index ended off 11.1 at 7,299.2.

Golds led the way down with the index sliding 18.4 or 2 per cent to 905.3. Western Deep fell 75 cents to R95 and Randgold 90 cents to R15.90. The industrials index fell 7.0 to 8,759.3.

Bourses pull back from the peaks

EUROPE

Wall Street's inability to follow through early yesterday, after Tuesday's 103 point rise to another record high, gave many European bourses the opportunity to pull back from their own peaks in the final hour of trading.

ZURICH pressed ahead to test new highs early in the day before Wall Street's dull start brought a sudden loss of nerve and share prices turned sharply back.

The SMI index, which set record highs on each of the previous six sessions, pulled back from another intra-day peak of 6,101.2 to close 35.5 lower on the day at 5,977.1.

"We have seldom seen such a sudden swing of mood," said one analyst. "This has become a very jumpy and overheated market."

Winterthur staged one of the day's sharpest turnarounds. The shares roared 8.6 per cent higher early in the day, adding to Tuesday's sharp rise, on recurring rumours of a merger in the Swiss financial services sector or an acquisition by a bigger foreign group.

But that proved too much for the insurer, which does not normally comment on market speculation. "This is somewhat overboard," said a company official. "There is too much fantasy in these prices now." The shares turned back to close SFr16 higher on the day at SFr1,420.

CS Group, with which Winterthur was rumoured to be planning closer ties, finished SFr2 lower at SFr207.25, off a high of SFr214.

Among other blue chip losers, Nestlé tumbled SFr47 to SFr2,001 and UBS was marked SFr11 lower at SFr1,729. Roche certificates continued to try to catch up with the recently better performing Novartis. But after a high of SFr14,990, Roche pulled back to close just SFr65 higher at SFr14,650 and Novartis lost SFr26 at SFr2,453.

FRANKFURT, too, ran into profit-taking in late electronic trade and the Dax index, which tested new highs in floor business, finished 3.13 weaker at an Ibis-indicated 4,026.97.

Metro pulled sharply back, down DM9.50 at DM210.50 after the chairman, Mr Klaus Wiegandt, told the company's annual meeting that shareholder expectations for the stock were too high. The shares were marked sharply higher over the previous two sessions on news of the planned acquisition of the Makro cash-and-carry business.

Adidas was higher for the second straight day on speculation it would be taken into the Dax 30 index. The shares rose DM9.85 to DM226.85, but Karstadt, seen losing its place in the Dax, fell DM5.50 to DM608.

Thyssen tumbled DM11.75 to DM429 after the diversified industrial group said it was considering a possible capital increase.

PARIS nudged up to a record high following further strong gains for motor stocks. Volume remained unexciting at 12.6m shares and the CAC 40 was well below the best of the day when it closed at 2,950.56, up 20.75.

Merger speculation continued to underpin Renault and Peugeot. The former added FFr2.40 at FFr146.10 and Peugeot put on FFr17 to FFr596. Michelin and Valeo both shared in the general excitement, rising FFr8.20 to FFr385 and FFr17.80 to FFr414.50 respectively.

News of a chunky Nigerian contract for its Offshore unit did nothing for construction leader Buoygues, which slipped FFr12.70 to FFr484.10. Alcatel Alsthom stayed dull on the uncertainty surrounding its GEC Alsthom joint venture. The shares eased FFr13 to FFr762.

But Remy Cointreau provided the day's most eye-catching performance, sliding 12.4 per cent to a new low for the year after unexpectedly disappointing annual results.

The spirits group has had to absorb heavy losses on currency options and the shares tumbled FFr18.40 to FFr130.50. In contrast, software group Cap Gemini rose FFr7.70 to FFr360.80 after strong interim earnings.

HELSINKI was driven higher by strong gains at Nokia, which jumped FMk17.50 to an all-time high of FMk430 following solid results from US telecoms equipment giant, Motorola. The Hex index ended at a record 3,407.35, up 1.6 per cent.

The early closing **AMSTERDAM** rose 17.23 to a record 935.37 on the AEX index with strong gains by selected international shares providing the main drive.

ABN-Amro, buoyed lately by talk of upbeat earnings, continued to power forward, adding Fl 1.90 at Fl 43.3 for a five-day gain of more than 9 per cent. Philips rose Fl 4.50 to Fl 147.8 and ING, shrugging off a move from "buy" to "hold" by CS First Boston, advanced Fl 3.50 to Fl 105.4.

KNP BT rose 90 cents to Fl 43.60 after an earnings upgrade by Goldman Sachs for International Paper of the US gave the sector a boost. Wolters Kluwer put on Fl 12 to Fl 260.90 after the US broker initiated coverage with buy advice.

VIENNA's ATX index extended its record setting rally to an eighth straight session and, analysts said, the market showed no sign of flagging. The index was 8.00 higher at 1,399.4 while Creditanstalt, the day's star performer, picked up Sch34 to Sch820.

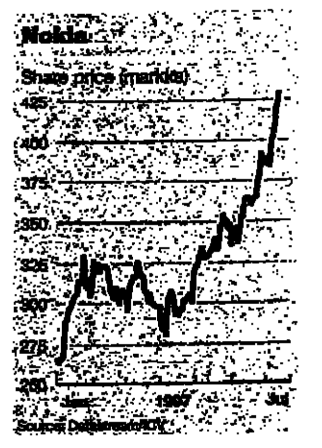
Written and edited by Michael Morgan and Jeffrey Brown

FTSE Actuaries Share Indices

Jul 9						THE EUROPEAN SERIES		
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	16.00	Close
FTSE Eurotrack 100	2673.79	2676.32	2675.14	2675.71	2674.80	2680.13	2681.87	2680.53
FTSE Eurotrack 200	2633.23	2640.45	2641.88	2639.53	2641.23	2642.81	2647.23	2642.05

	Jul 8	Jul 7	Jul 4	Jul 3	Jul 2
FTSE Eurotrack 100	2653.83	2637.25	2618.41	2593.64	2565.92
FTSE Eurotrack 200	2626.43	2618.65	2614.16	2586.80	2549.31

Base value 1000 (25/10/90); Highday: 100 - 2681.96, 200 - 2648.71 Lowday: 100 - 2672.90 200 - 2633.21. † Partial. © FTSE International Limited 1997. All rights reserved.



Confidence set to return to Thai stocks

A 25 per cent rise, followed by a 6.5 per cent correction, followed by a 3.5 per cent rise. That was how the Thai stock market reacted in the first eight days since a floating of the Thai baht led to an immediate 15 per cent depreciation, *writes Ted Bardacke.*

And tomorrow? It is anybody's guess in this volatile situation. Most analysts say the overall direction of the market is downwards to about the 550 level from yesterday's 635.71. But certain stocks, particularly those with high levels of foreign currency earnings, like Thai Airways, still have considerable upside, they say.

"Things get much more sophisticated after a devaluation," said the head of research at a foreign brokerage.

Foreign interest has certainly been piqued by the fall in the currency, if only because they do not want to be left out next time. Having cleared out of the market as it fell to eight-year lows ahead of the devaluation, many foreigners missed out on last week's 25 per cent rise, as stocks hit their 10 per cent upward limit before they could get their orders processed.

"The effective devaluation of the baht last week brought back foreign buyers," said an ING Barings strategy report. "For some, it marked the bottom of the market, while for others devaluation indicated that the IMF was about to force its agenda on the central bank and politicians in return for a credit line. It is probable that the confidence cycle has passed the inflexion point."

With confidence ready to be restored the authorities need to manage the post-devaluation fall-out to prevent a crisis in the financial sector. This in turn will influence the direction of bank shares.

Finally, for every subsequent drop in the currency, stocks will look cheaper. But every drop will put additional strains on the private sector.

Emerging markets: IFC weekly investable price indices

Market	No. of stocks	Dollar terms July 04 1997	% Change over week	% Change on Dec '96	Local currency terms July 04 1997	% Change over week	% Change on Dec '96
Latin America	(247)	772.57	+3.7	+43.6			
Argentina	(30)	1,181.90	+2.1	+24.3	724,825.08	+2.0	+24.3
Brazil	(68)	650.29	+4.9	+64.1	2,621.28	+5.1	+70.1
Chile	(46)	831.16	+3.1	+34.0	1,386.49	+3.2	+31.5
Colombia[1]	(14)	830.44	+0.2	+31.2	1,621.48	+1.5	+43.7
Mexico	(63)	712.59	+3.2	+34.5	2,446.07	+3.3	+36.1
Peru[2]	(17)	264.15	−0.0	+34.2	428.23	+0.1	+37.1
Venezuela[3]	(9)	1065.42	+7.4	+46.3	11,966.86	+7.9	+50.1
Asia	(709)	245.07	+2.1	−3.0			
China[4]	(27)	79.63	−3.0	+8.0	85.35	−2.9	+7.91
South Korea[5]	(156)	88.55	+8.0	+14.6	103.29	+8.0	+20.3
Philippines	(42)	247.17	−1.2	−15.8	315.22	−1.2	−15.5
Taiwan, China[6]	(90)	191.11	+2.1	+24.7	199.82	+2.2	+26.3
India[7]	(77)	107.15	+4.3	+36.0	136.08	+4.2	+35.6
Indonesia[8]	(49)	137.68	+3.3	+7.9	181.85	+3.3	+11.0
Malaysia	(148)	286.10	+0.3	−15.0	266.61	+0.3	−15.0
Pakistan[9]	(28)	254.09	+6.4	+29.8	468.10	+6.6	+30.9
Sri Lanka[10]	(5)	141.31	+7.9	+48.6	180.36	+8.0	+53.3
Thailand	(87)	156.74	+14.1	−29.2	180.50	+27.9	−19.9
Euro/Mid East	(265)	163.65	+0.5	+21.9			
Czech Rep	(7)	60.37	+6.5	−14.0	65.09	+7.1	+2.5
Egypt	(16)	96.54	+0.9	-	96.36	+0.8	-
Greece	(54)	340.79	−0.9	+40.6	636.64	−0.3	+57.2
Hungary[11]	(12)	294.68	+3.8	+49.8	667.93	+4.7	+74.6
Israel	(40)	126.00	+4.0	+26.0	138.26	+3.0	+38.3
Jordan	(7)	201.43	+1.6	+7.9	300.60	+1.6	+7.8
Morocco	(5)	121.72	−1.0	-	127.16	−0.4	-
Poland[12]	(31)	664.67	+2.1	−9.2	1,378.36	+2.8	+4.5
Portugal	(29)	196.73	+3.1	+34.6	239.29	+3.9	+53.5
Russia	(15)	176.09	+17.3	-	181.29	+17.7	-
Slovakia	(5)	92.62	+1.3	-	96.14	+1.6	-
South Africa[13]	(63)	236.79	−0.9	+13.5	221.36	−0.7	+9.9
Turkey[14]	(58)	233.49	+3.6	+57.0	16,476.59	+5.0	+116.1
Zimbabwe[15]	(5)	598.99	+2.6	+26.5	1,006.08	+2.8	+33.3
Composite	(1221)	346.28	+2.4	+17.4			

Indices are calculated at end-week; weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1992; (12)Dec 31 1992; (13)Dec 31 1992; (14)Dec 31 1992; (15)Aug 2 1993; (16) July 2 1993.

FT/S&P ACTUARIES WORLD INDICES

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NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	TUESDAY JULY 8 1997 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	MONDAY JULY 7 1997 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (76)	236.35	−0.6	207.20	168.21	215.92	210.12	−1.3	3.66	237.85	209.32	168.95	215.75	212.84	243.87	188.44	198.08
Austria (25)	201.74	−0.8	176.85	143.58	184.30	184.19	0.1	1.78	202.96	178.61	144.17	184.10	184.00	202.96	174.70	181.22
Belgium (29)	257.61	−1.3	225.84	183.34	235.34	230.55	−0.5	2.97	261.11	229.79	185.48	238.85	231.79	261.11	206.70	209.79
Brazil (30)	320.82	1.1	281.25	228.33	293.09	637.19	1.2	1.15	317.30	279.24	225.39	287.82	629.43	320.82	170.26	184.47
Canada (127)	215.07	0.7	188.54	153.06	196.48	214.09	0.7	1.70	213.52	187.91	151.67	193.66	212.56	215.49	154.12	158.99
Denmark (32)	397.11	−0.4	348.13	282.62	362.78	361.47	0.3	1.41	398.69	350.87	283.20	361.66	380.21	398.69	303.10	303.16
Finland (28)	297.10	−0.2	260.45	211.44	271.41	325.71	0.4	1.69	297.71	262.00	211.47	270.05	324.39	297.71	186.67	193.61
France (84)	234.61	−1.2	205.67	166.97	214.33	218.16	−0.5	2.40	237.57	209.08	168.76	215.50	219.23	237.57	186.94	193.41
Germany (59)	226.47	0.0	198.53	161.18	206.89	206.89	0.7	1.37	226.42	199.26	160.83	205.38	205.38	226.47	168.70	170.37
Hong Kong (66)	517.02	−0.6	453.25	367.96	472.32	513.97	−0.6	2.95	520.23	457.83	369.54	471.90	517.10	539.63	407.55	423.57
Indonesia (27)	254.90	0.4	223.46	181.41	232.87	380.23	0.4	1.71	253.86	223.41	180.32	230.27	378.59	254.90	183.82	202.97
Ireland (17)	367.46	0.4	322.13	261.52	335.69	339.55	0.4	2.83	365.99	322.09	259.97	331.99	338.30	367.46	270.08	281.36
Italy (56)	98.63	−1.0	86.46	70.19	90.10	126.09	−0.3	1.96	99.63	87.68	70.77	90.38	126.53	99.63	73.26	81.45
Japan (485)	136.83	0.0	119.95	97.38	125.00	97.38	0.2	0.81	136.77	120.37	97.15	124.07	97.15	151.73	107.57	151.16
Malayala (107)	504.86	0.3	442.59	359.31	461.21	487.23	−0.5	1.41	503.49	443.11	357.65	456.72	489.59	660.85	503.49	555.91
Mexico (27)	1728.91	2.3	1515.65	1230.45	1579.43	14954.14	2.5	1.24	1689.75	1487.06	1200.29	1532.77	14593.31	1728.91	1110.35	1160.71
Netherlands (19)	419.30	−1.5	367.58	298.42	383.05	378.64	−0.8	2.06	425.66	374.61	302.36	386.12	381.50	425.66	279.88	292.56
New Zealand (14)	95.25	−0.1	83.50	67.79	87.01	74.81	−0.3	3.88	95.38	83.94	67.75	86.52	75.07	96.47	79.04	80.77
Norway (41)	324.17	−0.7	284.19	230.71	296.15	323.38	0.0	1.90	326.60	287.43	232.00	296.26	323.33	326.60	246.04	250.65
Philippines (22)	162.23	−1.7	142.22	115.46	148.20	213.43	−1.7	0.98	164.99	145.20	117.20	149.66	217.11	216.69	148.37	216.69
Singapore (42)	401.75	0.9	352.19	285.92	367.01	265.95	1.0	1.15	398.00	350.26	282.71	361.02	263.29	448.01	360.08	404.16
South Africa (44)	353.59	−0.1	309.97	251.65	323.02	351.80	0.2	2.46	354.08	311.61	251.52	321.19	351.16	370.12	301.49	361.61
Spain (33)	271.82	−1.5	238.29	193.45	248.32	308.01	−0.7	2.17	276.05	242.94	196.08	250.40	308.13	276.05	171.91	179.99
Sweden (48)	502.89	−0.4	440.88	357.90	459.41	578.18	0.3	1.79	504.77	444.23	358.56	457.88	576.46	504.77	334.35	349.94
Switzerland (33)	329.59	0.6	288.94	234.57	301.10	299.31	1.2	1.12	327.72	288.41	232.79	297.27	295.88	329.59	231.69	241.73
Thailand (42)	58.78	−6.7	51.53	41.83	53.70	66.35	−5.9	4.65	63.02	55.46	44.76	57.16	70.51	166.94	47.55	166.78
United Kingdom (213)	315.29	−0.7	276.40	224.39	288.03	276.40	−1.1	3.63	317.40	279.33	225.46	287.81	279.33	319.10	229.63	235.34
USA (644)	371.95	0.7	326.07	264.71	339.79	371.95	0.7	1.66	369.21	324.93	262.26	334.91	369.21	371.95	254.79	265.38
Americas (828)	340.71	0.8	298.68	242.48	311.25	266.88	0.8	1.65	338.13	297.58	240.19	306.72	264.70	340.71	233.09	242.69
Europe (718)	280.37	−0.6	245.79	199.54	256.13	259.99	−0.3	2.46	282.11	248.27	200.39	255.90	260.77	282.11	204.71	210.27
Nordic (150)	426.01	−0.4	373.46	303.19	389.18	425.93	0.3	1.73	427.68	376.38	303.80	387.95	424.69	427.68	291.46	301.43
Pacific Basin (881)	154.79	−0.1	135.69	110.16	141.40	111.80	0.0	1.27	154.89	136.31	110.02	140.50	111.79	164.66	127.18	164.08
Euro-Pacific (1599)	207.21	−0.4	181.65	147.47	189.30	167.53	−0.2	1.94	208.00	183.05	147.75	188.67	167.81	208.00	173.65	183.21
North America (771)	362.23	0.7	317.55	257.79	330.91	361.41	0.7	1.66	359.56	316.44	255.41	326.16	358.75	362.23	248.65	258.88
Europe Ex. UK (505)	254.72	−0.6	223.30	181.28	232.70	244.09	0.1	1.82	256.23	225.50	182.01	232.42	243.81	256.23	185.65	191.55
Pacific Ex. Japan (396)	310.74	−0.4	272.41	221.15	283.87	273.74	−0.7	2.73	311.97	274.55	221.60	282.99	275.60	320.65	266.97	283.82
World Ex. US (1827)	211.17	−0.3	185.12	150.29	192.92	174.60	−0.1	1.92	211.77	186.37	150.43	192.09	174.74	211.77	176.94	184.57
World Ex. UK (2258)	257.28	0.3	225.55	183.11	235.04	226.50	0.5	1.60	256.54	225.77	182.23	232.71	225.49	257.28	199.58	208.93
World Ex. Japan (1986)	326.57	0.2	286.29	232.42	298.34	315.90	0.3	1.99	325.84	286.76	231.45	285.57	314.81	326.57	233.10	241.54
The World Index (2471)	262.29	0.2	229.94	186.67	239.62	231.28	0.3	1.80	261.79	230.39	185.96	237.46	230.58	262.29	202.32	209.45

Latest prices were unavailable for this edition.

Manila falls 4% on currency concerns

ASIA PACIFIC

Currency scares continued to maul **MANILA** and the composite index fell 109.46 or 4.1 per cent to 2,589.20.

With overnight money market rates rising to 30 per cent, share prices fell sharply across the board, although volume was moderate at 2.2bn pesos.

The peso has been under severe pressure since last week's effective devaluation of the Thai baht. The composite index is now more than 10 per cent below its mid-June peaks.

PLDT fell 25 pesos to 890 pesos. Metrobank shed 20 pesos to 505 pesos and Philippine National Bank 9 pesos to 156 pesos.

TOKYO was pulled back by falling futures prices as the dollar fell to the Y112 level on news that Japan's current account surplus had surged, prompting arbitrageurs to sell cash stocks, *writes Gwen Robinson.*

The Nikkei 225 average fell 156.72 to 19,697.17 after moving between 19,495.85 and 19,963.60. The market opened moderately higher as investors, encouraged by New York's record performance overnight, actively bought blue chips. However, prices reversed course towards mid-morning. In the afternoon, electrical issues saw earlier gains wiped out after the dollar fell against the yen. Semiconductor makers, however, made substantial gains.

Sentiment was further dampened by the sharp dive of Yaohan Japan, the financially troubled supermarket operator, on rumours that it would be unable to honour promissory notes. Just before noon, the company's shares slid from Y173 to a year's low of Y133, before recovering to finish at Y160, down Y13. Yaohan denied the rumours.

The Topix index of all first-section stocks fell 5.96 to 1,494.52 and the capital-weighted Nikkei 300 was off 0.83 at 289.67.

In London, the ISE/Nikkei 50 index rose 0.60 to 1,584.39.

Blue chip electricals mostly retreated. Sony fell Y60 to Y9,700, TDK Y30 to Y8,410 and Matsushita Y10 to Y2,240. Fujitsu, however, rose Y20 to Y1,560 on the day's highest volume and semiconductor-related issues jumped.

Banks continued their recent retreat. Dai-Ichi Kangyo Bank fell Y20 to Y1,400 and Sakura Bank Y22 to Y760. Securities houses fell on further reports about the widening scandal over their links with corporate racketeers. Yamaichi Securities fell Y12 to Y310, Nikko Securities Y11 to Y675 and Nomura Y10 to Y1,460.

Volume swelled from 257m shares to an estimated 355m. Declines led advances 755 to 297 with 182 unchanged. In Osaka, the OSE average fell 140.54 to 20,653.54 and volume plunged to 9m shares.

KUALA LUMPUR dropped 2.3 per cent as institutional investors dumped stocks after the central bank warned off currency speculators. The composite index fell 24.53 to 1,038.24.

HONG KONG pulled back on profit-taking in utilities and the Hang Seng index closed 86.44 lower at 14,708.73.

Property stocks outperformed the market, rebounding from what was regarded as severely oversold levels. Red chips pulled back, taking the Hang Seng China-Affiliated Corporations index down 6.9 per cent.

SYDNEY rallied on the back of firmer golds and Wall Street's overnight gains. The All Ordinaries index gained 16.9 to 2,696.1.

PMP Communications fell 46 cents or 13 per cent to A$3.19 after News Corp sold its 40 per cent stake.

KARACHI jumped 3.5 per cent to a high for the year on frenetic short covering of blue chips. The KSE-100 index rose 59.56 to 1,785.73, extending its rise of the last seven sessions to 220 points.

BOMBAY was driven to a 33-month high by demand from foreign funds which took the BSE-30 index above 4,400 for the first time since October 1994. The index added 98.30 to 4,404.69.

Indonesian property bad loans double

By Manuela Saragosa in Jakarta

Indonesian banks' problem loans to real-estate projects more than doubled in the first three months of this year, accounting for most of the 39 per cent rise in non-performing loans in the property sector as a whole.

Figures from Bank Indonesia, the central bank, show problem loans in the property sector accounted for nearly half of all Indonesian banks' non-performing loans.

On Monday, Mr Soedradjad Djiwandono, central bank governor, banned all new credit to companies seeking to buy new land and develop existing plots. He expressed concern that growth in loans to the property sector had expanded rapidly in recent years, accounting for some 19.5 per cent of total outstanding credit at the end of March.

The increases in problem loans were played down by Jakarta-based analysts who pointed to Bank Indonesia's moves to deal with the situation.

Indonesian banks' total outstanding credit grew 4.2 per cent to Rp349,775bn ($143.8bn) in April this year, with Rp10,230bn (2.9 per cent of that total) ranking as problem credit, of which Rp4,695bn was accumulated in the property sector alone by the end of March.

Non-performing loans to real-estate developments showed the biggest increase in the property sector, rising to Rp1,674bn at the end of March from Rp756bn at the end of last year. In absolute terms, credit for construction was higher, growing 12.3 per cent in the same period to Rp2,351bn.

While no slump has occurred in Jakarta property prices, signs of potential oversupply have appeared. Occupancy levels in the central business district have dropped in the past year, with supply of purpose-built rental apartments expected to rise 55 per cent in the next three years.

No details were given of which developers were behind the increase in problem loans, but analysts say none of the larger Indonesian property companies appears to be in difficulties.

"It is the smaller companies and speculators that seem to be threatened and, quite rightly, [the central bank governor] is doing something about it," Mr Stephen Doe, head of research at Asia Equity Jasereh in Jakarta, said.

Analysts believe the problem loans were accumulating at smaller private banks as the level of non-performing loans at private banks overall averages about 2 per cent, with most of Indonesia's bigger private banks coming in at that level.

Additional reporting by AFX Asia in Jakarta

Hong Kong acts to curb immigrants

By John Ridding in Hong Kong

Tung Chee-hwa, Hong Kong's new leader, inspects the new garrison of Chinese troops Reuter

Hong Kong's new government moved quickly yesterday to pass laws tightening controls on child immigrants from the mainland, amid criticism of the bills from civil rights groups and protests against the post-colonial legislature.

Pro-democracy forces held a rally outside the legislature, conducting its first session since Hong Kong's return to China last week. They condemned the replacement of the previous chamber, elected under British democratic reforms. A legal challenge to the provisional legislature is due to be heard later this month.

Critics of the proposed immigration laws claim these contravene the Basic Law, Hong Kong's post-colonial constitution. This guarantees the right of abode to mainland children with a Hong Kong parent, estimated at some 60,000.

Citing the potential strain on resources, the government proposes applicants must receive a certificate in China before applying for residence.

The proposed laws allow police to deport illegal immigrants even if they have right of abode. Mr Martin Lee, leader of the Democratic party, Hong Kong's biggest pro-democracy group, warned that the provisional legislature would be setting a dangerous precedent. "That right of abode cannot be removed. To make it retrospective is to make it much worse," he declared.

Mr Dominic Chan, a member of the provisional legislature, argued that curbs on immigrants would damage the territory. The proposed laws were defended by Mr Peter Lai, secretary for security. "We must examine if Hong Kong can afford to accept all these people in one go," he said.

In a concession to critics, the government signalled a delay in the proposed suspension of laws strengthening labour rights and granting the right to collective bargaining. But the move failed to satisfy pro-democracy forces.

Meanwhile, Mr Tung Chee-hwa, Hong Kong's new leader, yesterday promised to protect religious freedoms. They were guaranteed by the Basic Law, he told a Lutheran world conference.

● An investment company controlled by China's central bank has been granted permission to open an office in Hong Kong, the territory's financial regulators said.

Permission for the company, a subsidiary of the China State Administration for Foreign Exchange, seems a step to setting up a "window company" to manage some of China's foreign exchange reserves, totalling over US$118bn.

Malaysia warns on interest rate rise

By Asif Huda in Kuala Lumpur and Justin Marozzi in Manila

Malaysia's central bank warned yesterday of a rise in interest rates to fend off speculators. "If we do not raise rates, we will only allow further attacks on the ringgit," Mr Ahmad Mohamad Don, governor of Bank Negara, said.

Since Thailand decided to float its currency last week, the Malaysian currency has come under constant attack. "Our monitoring indicates speculators have been the main sellers of the ringgit," Mr Don said.

In Manila, President Fidel Ramos claimed "outside" sources could be working to undermine the Philippine currency. He accused the media of "mounting a disinformation campaign" after another day of speculative attacks on the peso.

Manila has been thrown on the defensive over recent activity in the foreign exchange market. Yesterday's foreign exchange trading, heavy again at over US$1bn, cost the central bank an estimated $630m to defend the currency. By close of business, the dollar was unchanged at 26.4 pesos.

Analysts ask how long Manila will maintain the punitively high key overnight borrowing rate, at a 27-month high of 30 per cent. The central bank reiterated it would "intervene strongly" to maintain an orderly forex market.

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Rise in Japan surplus sparks fears

By Michiyo Nakamoto in Tokyo

Japan's current account surplus in May surged to Y906.8bn ($7.95bn), more than 2.5 times the level in the same month a year ago, triggering concerns of new friction with the country's key trading partners.

The strong increase in the current account surplus reflected a sharp rise in the politically sensitive trade surplus, which came in at Y412.8bn compared with a deficit of Y104.1bn a year ago. This was the second consecutive rise after a 93 per cent increase in April.

This recent rising trend is likely to rekindle criticism that Japan is exporting its way out of its economic slump and to intensify calls on the government to do more to stimulate domestic demand.

The Ministry of Finance attempted to quell concerns by emphasising that the change in Japan's economic structure meant that the trade surplus was unlikely to continue rising.

Nevertheless, Mr Tetsufumi Yamakawa, economist at Goldman Sachs in Tokyo, noted that the ratio of current account surplus to gross domestic product in the April to June quarter was likely to have approached the 2.5 per cent considered a danger zone by US officials.

The Ministry of Finance attributed the rise in the current account surplus in part to the April increase in consumption tax from 3 per cent to 5 per cent. The increase, which triggered strong advance buying, has since damped consumption of expensive goods such as imported vehicles. After a 24.2 per cent decline in April, imports of vehicles slumped 16.3 per cent in May.

Meanwhile, exports have surged on the strength of renewed competitiveness in overseas markets due to the weaker yen as well as firm economic activity, particularly in the US. Exports in May expanded 20.2 per cent while imports rose 5.8 per cent. This is the second consecutive month during which the growth in exports outpaced that in imports.

In particular, vehicle exports surged 43.2 per cent in value terms while those of office equipment, including PCs, rose 24.3 per cent year-on-year. Against this background, the surplus in merchandise trade more than doubled to Y927.9bn, following a 91 per cent rise in the previous month.

The trend has triggered calls in the US for Japan to put more effort into stimulating its domestic economy.

Asean to meet on coup in Cambodia

By William Barnes in Bangkok and Michiyo Nakamoto in Tokyo

As foreign ministers from the Association of South East Asian Nations prepared for today's emergency meeting in Kuala Lumpur to discuss last weekend's coup in Cambodia, fighters from the victorious faction went on a manhunt in Phnom Penh for defeated officials.

Soldiers from Mr Hun Sen's Cambodian People's party have been making room-to-room searches for their rivals in the Cambodiana landmark riverfront hotel.

However, some members of the royalist Funcinpec party, along with about a dozen members of the royal family, were allowed to flee the city yesterday as limited commercial flights resumed from the battered airport.

Mr Hun Sen, "second" co-prime minister, seized control of the capital at the weekend at a cost of about [illegible] dead, smashing the unhappy coalition in which he had ruled the country with Prince Norodom Ranariddh, the "first" prime minister, since United Nations-sponsored elections in 1993.

Prince Ranariddh, who sought safety in France on the eve of the coup, said he would fly to the US this week to lobby the UN and the US government to press Mr Hun Sen to accept his return.

Singapore, Malaysia and the Philippines all sent air transports to evacuate their citizens yesterday; Thailand took out about 800 people, mostly Thai nationals, on Tuesday.

Japan is considering using Self Defence Force aircraft to rescue about 400 Japanese nationals. The agency has ordered three cargo aircraft to be sent to Okinawa, Japan's southern island. The airlift would be the first time SDF aircraft have flown into foreign airspace on a rescue mission since the Self Defence Forces Act was revised in 1994.

Japan has been reluctant to use personnel and equipment from the force outside Japan for fear of triggering anti-Japanese sentiment.

Asean officials normally claim an individual member's domestic politics is none of their business. But the violent termination of Cambodia's coalition is awkwardly timed.

The country had been scheduled to receive full membership on the group's 30th anniversary at the end of this month.

ASIA-PACIFIC NEWS DIGEST

Hanoi speeds up licensing

Vietnam is to speed up licensing for investment projects and give easier access to loans. The Ministry of Planning and Investment is to give management boards of industrial processing zones authority to issue licences for projects of less than $40m, the official media announced yesterday.

Foreign investors flocked to the country after market-style reforms were introduced a decade ago. But their complaints about bureaucracy have deterred others, and now the pace of new investment appears to be slowing sharply.

The central bank has ruled that state enterprises – many of which are strapped for cash, deep in debt and far from profitable – will be able to borrow from banks without mortgaging their assets, subject to proving their creditworthiness. *Reuter, Hanoi*

Chinese output up 11.6%

China's industrial output rose 11.6 per cent year-on-year in the first half of 1997, driven by strong growth in the light industrial sector and rising production by private enterprises.

The State Statistical Bureau reported yesterday that the industrial output total for January to June reached Yn984.9bn ($118.6bn). The figures do not include the cost of raw materials used in the manufacturing process.

State enterprises showed an increase of 5.5 per cent, while the output of collectives rose 12.5 per cent and industrial production of other enterprises, including private companies, rose 15.1 per cent.

Light industries grew at 12.1 per cent in the first half of the year, fuelled by the relatively fast output growth of colour televisions, washing machines, refrigerators and air-conditioners. The heavy industrial sector has grown more slowly, at 11.2 per cent, with steel, iron and non-ferrous metals production increasing by a range of 5.6 per cent to 15.1 per cent. Petrochemicals rose in a range of 6.7 per cent to 28.1 per cent.

The bureau said Chinese enterprises nationwide sold 94.6 per cent of the goods they produced, up 0.7 per cent from the same period last year. *James Harding, Shanghai*

Taiwan plans share sales

Taiwan's Finance Ministry said yesterday it planned to sell government shareholdings valued at T$450bn (US$16bn) in the next three years. Under the tentative plan, the ministry intends to release T$150bn worth of shares each year starting from fiscal 1998/99 (July/June). The timing and pace of the release will depend on stock market conditions.

Taiwan plans to privatise some 84 enterprises, including the telecoms, alcohol and tobacco, petroleum and power monopolies in the next five years. The biggest banks are also scheduled for privatisation.

The ruling Nationalist party has been criticised in recent years for a rising budget deficit, estimated at 14 per cent of the annual budget. The privatisation programme is being expedited to alleviate the growing budgetary problems, caused in part by shortfalls in tax revenues, high military spending and an increase in social welfare spending.

● Taiwan's central bank has decided to allow the formation of a second foreign exchange brokerage in the country to help develop the foreign exchange market. The Central Bank of China said yesterday it had given the go-ahead to unidentified private interests to set up a preparatory office for the Yuan Ta foreign exchange brokerage. *Laura Tyson, Taipei*

More Nomura charges laid

Japanese public prosecutors yesterday laid further charges against Mr Hideo Sakamaki, the former Nomura Securities president, and Mr Nobutaka Fujikura, the former managing director, as well as against the company itself. The indictments allege that Nomura paid Y320m ($2.8m) to corporate racketeers to prevent disruption of Nomura's June 1995 shareholders' meeting.

All three parties, along with another former Nomura employee, were charged last month with paying Y49.7m in illegal securities profits to the gangster at the centre of the scandal.

The Ministry of Finance, which has been investigating the affair, yesterday indicated that it would announce before the end of this month what penalties were to be imposed on Nomura. *Bethan Hutton, Tokyo*

British Airways accuses international transport staff group of unlawful action

Airline may sue strike union

By Our Employment Staff

British Airways yesterday took the unusual step of threatening to seek "substantial" damages from the London-based International Transport Workers Federation (ITF), the global trade union body representing transport workers which has designated the current dispute an important strategic conflict.

The move came as the airline's cabin crew began a three-day strike. The airline also threatened to sue their trade union, the Transport and General Workers' Union, in Britain. Mr Mervyn Walker, BA's director of human resources, wrote to the ITF demanding that it immediately stop sending messages to affiliated unions with members who worked in the ground-handling and check-in areas of many airports around the world. He said any refusal by such staff to handle BA flights would clearly be a result of the ITF's actions.

BA's letter said: "The staff in question are not employed by British Airways and any inducement to them to take such unlawful action constitutes unlawful secondary action. We have no doubt that you are aware that you have no right to issue such calls. Moreover, you should be aware that secondary action which takes place outside the UK in connection with BA's dispute may well be unlawful."

Mr David Cockroft, general secretary of the ITF, which has affiliates in more than 120 countries, said last night: "If BA thinks this is going to intimidate us, they are wrong."

The airline may seek a London court injunction to stop the strike, which led to widespread disruption for travellers yesterday. At London's Heathrow airport nearly 70 per cent of the airline's flights were cancelled.

Only a quarter of BA's European services ran normally yesterday and half the long haul flights with no UK domestic services at all. The company acknowledged that on a normal day 40,000 customers flew out of Heathrow on BA services but yesterday only 14,000 did so. There were nine cancelled flights at Gatwick airport, mainly long haul flights out of a normal total of 93 daily departures.

British Midland said it carried 22,000 passengers, 3,000 more than usual for the time of year. American Airlines said it would be running an additional flight from Heathrow to New York for the next three days.

The cabin crew strike continues until Saturday but the TGWU is already planning further disruption which it will announce shortly.

BA said that 1,600 of its cabin crew staff reported sick yesterday to avoid taking part in the strike or crossing a picket line. The normal daily sickness absenteeism figure is 120.

Capital relaxes into a high security role

Surface calm hides London's measures against terrorism

As they descend on London this summer, and hear of the latest troubles in Northern Ireland, thousands of tourists could be forgiven for questioning whether it is all for real.

Compared with many other cities, London seems among the more relaxed and underpoliced in the world even though it is a potential key "target" of Irish Republican Army terrorism. Travellers arriving at Heathrow airport may catch sight of one or two armed policemen, but most uniformed officers in the UK capital still patrol without guns.

They may have their bags searched by security staff in Oxford Street shops, or on entering the National Gallery. They would have noticed a narrowing of the main road through the City, leading to the Tower of London, with shirt-sleeved police occasionally checking on vehicles – the so-called "ring of steel".

On the surface at least, it all seems a low-key affair compared with, say, Germany. Airports there have a heavy police presence, and in Paris soldiers regularly patrol Metro railway stations.

Yet the superficial calmness belies the fact that London is on a permanent state of alert against the threat of mainly IRA terrorism. Even its own citizens rarely notice the precautions.

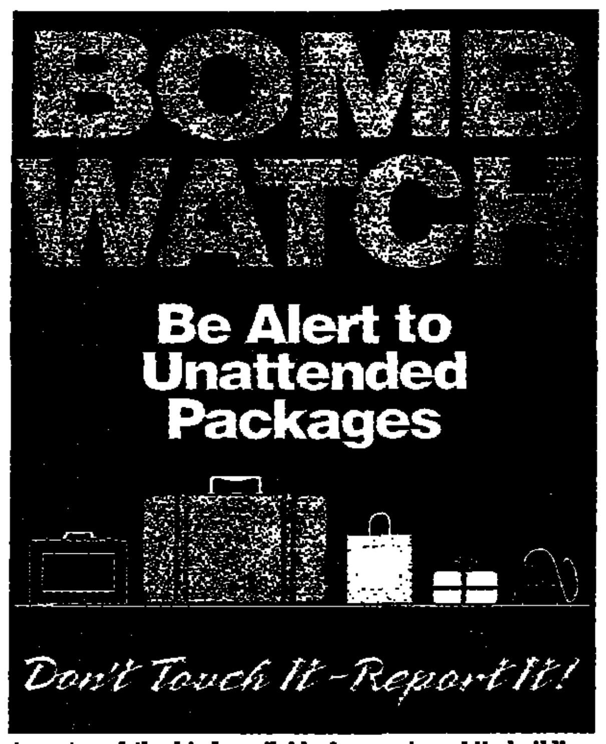
The use of closed-circuit TV surveillance systems, many of them linked to centralised police control, has grown rapidly in London during the 1990s with images of suspects forming essential components of several criminal prosecutions.

There has also been big growth in the private security sector, with many businesses investing in equipment and regular briefings by anti-terrorist experts on evacuation and protection in the event of a bomb threat.

Earlier this week, Merrill Lynch, the US investment bank, sought advice on anti-terrorist measures for the 54,000 sq m Europe, Middle East, and Africa operations headquarters it is planning to build in the City of London. The bank is clearly not assuming that the threat of terrorism will have disappeared by mid-2001, when the building is due to open.

London Transport which oversees the capital's Underground railway and bus system, believes that its "public awareness" advertising campaign conducted over several years has made it much more difficult for a potential terrorist to carry out an attack on the system. By removing all garbage bins from Underground and other railway stations, London Transport management have ensured that any suspect package is usually reported by a member of the public.

The focus of overt policing in London remains on unarmed foot patrols. But heavily armed specialised anti-terrorist squads are on regular patrol in unidentified vehicles when not carrying out occasional spot-checks. Many covert security measures in the capital are organised on the assumption that the main terrorist threat remains that of the IRA – although there have been attacks involving fanatical Islamic groups in recent years. "The important thing to remember about the IRA is that they are constantly watching out for potential vulnerable points in security terms," says one anti-terrorist expert. "It's important not to set an overt pattern which the IRA's own intelligence system can identify."



A poster of the kind available for use in public buildings and transport facilities in London

Paradoxically, one of the world's most ruthless terrorist organisations is also the one that theoretically should have the least impact on the ordinary public.

The IRA, uniquely among major terrorist organisations, uses a coded warning known to members of the police and intelligence services before carrying out any attack in a public place. There has been no IRA bombing on the mainland of Britain this year; the last one was in the northern city of Manchester in 1996.

The IRA uses coded warnings essentially for political reasons. It believes that causing fatalities is counter-productive in propaganda terms, particularly if they include visitors from other countries.

Jimmy Burns

Rules on asylum seekers 'to be fairer'

By Edward Mortimer in London

The government yesterday welcomed a report calling for sweeping changes in UK asylum policy and promised to set up a permanent consultation procedure involving human rights and refugee pressure groups.

"What we want to do," said Mr Mike O'Brien, the Home Office minister responsible for immigration, "is to be much more open in discussing how we can make immigration and asylum policy firmer, fairer and faster."

The report, published today, was produced jointly by Justice (the British section of the International Commission of Jurists), the Immigration Law Practitioners' Association and the Asylum Rights Campaign. It called for an independent review of asylum and immigration law and said that:

- All asylum applicants should have an appeal before removal (at present those sent back to "safe third countries" can be removed before their appeal has been heard).
- Asylum seekers should be detained "only in exceptional and specific cases", subject to judicial authorisation every 28 days.
- Asylum seekers "must have the basic means of support while their claims are under consideration".

The "cheapest and best" way to give them this, it said, would be to restore the social security benefits which were removed, under last year's Asylum and Immigration Act, from those who claimed asylum after entering the UK or who are appealing against initial refusal of their claim.

Mr O'Brien said that the removal of benefits had placed a heavy burden on local authorities, particularly in central London. He added that the asylum system "both delays genuine asylum seekers getting what they are entitled to, and allows many bogus ones to exploit its delays and inefficiencies".

He said that the government intended to make the system fairer but also to be tougher than its predecessor in removing people found not to be genuine refugees.

Many of these now succeed in staying in the UK. Mr O'Brien has asked the authors of the report, which calls for "a standing joint working party of lawyers, refugee groups, officials and appeal judges", to offer ideas for a consultation process to continue throughout the government's term.

UK NEWS DIGEST

CEOs 'biggest earners by far'

Chief executives of the UK's biggest companies are receiving twice as much pay as any of their boardroom colleagues, according to a report published today.

The report by Monks Partnership, which looks at boardroom earnings in the FT-SE 100 companies, found that finance directors, the second most highly paid directors, were earning on average just over half the amounts paid out to chief executives and full-time chairmen.

Some other board members, such as sales directors and research and development directors, earned even less in comparison. Ms Ruth Lea, policy director of the Institute of Directors, said the differentials reflected a growing "star status" for top company bosses.

The research found that full-time chairmen and chief executives of FT-SE companies now have median base salary levels of £400,000 ($676,000) a year and total salaries of £500,000. *Richard Donkin, London*

■ HOTELS

Profits 'higher than 1980s peak'

The UK hotel industry reached record profit levels last year on the back of strong trading conditions and cost control, according to a report published yesterday.

Although London has led the industry's recovery since the recession in 1991, Pannell Kerr Forster, the hotel consultant, said that occupancy and achieved room rates outside the capital had reached record levels.

Operating profit margins, before fixed costs such as rates and interest, reached 39.1 per cent, higher than levels recorded in the buoyant trading conditions of the late 1980s. London hotels were the most profitable.

Mr Garry Hawkes, president of the British Hospitality Association, said that the industry was becoming increasingly concerned about "the seemingly inexorable rise of sterling". *Scheherazade Daneshkhu, London*

■ RURAL PROTEST

Big rally in London today

Hundreds of marchers are heading from rural districts to Hyde Park in London today in the biggest show of strength by the countryside in living memory, culminating in a rally of 80,000 people in the heart of the capital.

Three separate marches from Wales, Scotland and the south-west were yesterday nearing London in a display of resistance to what organisers claim are Westminster's attacks on a traditional rural way of life. Marchers have already threatened civil disobedience if a Labour MP's bill in the House of Commons to ban hunting with hounds is enacted.

But march organisers insist there is much more to the protest than hunting. They claim the protest is about the way an urban House of Commons is imposing its will on the countryside on a wide range of policy areas – from cuts in beef subsidies to the proposed "right to roam" across farmers' fields. To stress the point, hunters have been told to refrain from wearing their red frock coats to the rally. *George Parker, London*

Editorial Comment, Page 11

■ INWARD INVESTMENT

$4.4bn boost for west Midlands

Inward investors committed a record £2.6bn ($4.4bn) in the English west Midlands last year. West Midlands Development Agency, the region's main body for attracting investment from outside the UK, reported yesterday.

It said investment projects were dominated by automotive companies including BMW, which decided to build a £400m engine plant in the region. The West Midlands attracted 76 projects; with most coming from the US and mainland Europe. *Richard Wolffe, Birmingham*

Audi and BMW sales dip

Registrations of new cars during June 1997	Jun 1997 Volume	Jun 1997 Change %	Jun 1997 Share %	Jun 96 Share %
Total Market	157,620	7.3	100.0	100.0
UK Produced	50,822	-4.8	33.5	37.8
Imports	106,798	14.7	66.5	62.2
Japanese makes	21,916	16.8	14.5	13.3
Ford group	29,910	5.1	19.7	20.2
Ford	29,381	4.5	19.4	19.9
Jaguar	529	46.5	0.3	0.3
General Motors (1)	20,423	-2.3	13.5	14.8
Vauxhall	19,150	-3.7	12.6	14.1
Saab	1,273	24.7	0.8	0.7
BMW group	18,823	7.4	12.4	12.4
BMW	3,288	-8.9	2.2	2.6
Rover(2)	15,535	11.7	10.2	9.8
Peugeot group	15,727	0.8	10.4	11.0
Peugeot	11,500	4.6	7.6	7.8
Citroen	4,227	-8.3	2.8	3.3
Volkswagen group	14,164	12.3	9.3	8.9
Volkswagen	9,672	8.7	6.4	6.3
Audi	1,919	-2.9	1.3	1.4
SEAT	1,230	51.5	0.8	0.6
Skoda(3)	1,343	44.7	0.9	0.7
Renault	11,374	10.3	7.5	7.3
Nissan	7,199	-3.8	4.7	5.3
Toyota	4,516	19.6	3.0	2.7
Fiat group	6,768	-6.9	4.5	5.1
Fiat	6,401	-4.4	4.2	4.7
Alfa Romeo	367	-36.2	0.2	0.4
Volvo	2,551	20.7	1.7	1.5
Mercedes-Benz	2,887	33.5	1.8	1.5
Honda	4,148	24.7	2.7	2.4
Mazda	2,199	31.7	1.5	1.2
Korean makes	4,166	18.4	2.7	2.5

1. GM holds 50% of Saab Automobile and has management control. 2. Includes Range Rover/ Discovery 3. VW holds 70 % of Skoda and has management control
Source: Society of Motor Manufacturers and Traders

Ford held the top three places last month in the league of top-selling cars. The Fiesta was the best seller with 60,060 sales, followed by the Escort and Mondeo. Registrations of all makes in the first half of the year were 5.3 per cent higher than a year before. The June figure was 7.3 per cent higher than the June 1996 total.

More soldiers are sent to N Ireland cities

Financial Times Reporters

Four hundred extra British soldiers are being sent to Northern Ireland at the request of Mr Ronnie Flanagan, the region's police chief, the British army announced yesterday. The 400 from the 1st Battalion, the Stafford Regiment, will be assigned to counter-terrorism duties for the rest of the marching season. They will bring army levels in Northern Ireland to 17,500.

The Protestant Orange Order plans to hold traditional marches through or near nationalist streets on Saturday in Belfast and Londonderry, the two largest cities in Northern Ireland. It is the first time extra soldiers have been sent to the region since last summer when two battalions were sent amid nationalist violence after the annual Portadown parade. This year's Portadown march last weekend was followed by violence which continued yesterday.

Mr Tony Blair, the UK prime minister, was accused in the House of Commons yesterday of discriminating against nationalists by endorsing the decision to permit the Orange Order to march past a Catholic estate in Portadown.

Aides in London said Mr Blair had received full support from US President Bill Clinton during meetings on the margins of the Nato summit in Madrid.

However, the anger of the Roman Catholic community was put personally to Mr Blair in a meeting last night with Mr John Hume, leader of Northern Ireland's moderate nationalist Social Democratic and Labour party.

Ms Mo Mowlam, the Labour government's chief minister for Northern Ireland, said legislation to improve independent supervision and arbitration of marches would be in place in the autumn.

But she added that this in itself "won't be enough" and that peace would be established only if the two communities wanted to achieve it.

Companies named by the government

End June 1997	Cases reviewed	Cases resolved	% resolved (rounded)
Hogg Robinson	602	1	0%
Colonial	6,754	32	0%
Gan	8,358	63	1%
Sedgwick	6,731	64	1%
Abbey Life	15,993	169	1%
Allied Dunbar	16,422	182	1%
Lincoln National	12,301	148	1%
Windsor Life	7,830	131	2%
London & Manchester	6,944	117	2%
Cooperative Insurance	41,762	825	2%
Equitable Life	10,761	307	3%
Britannic	12,380	443	4%
Sun Life of Canada	25,682	1,002	4%
NatWest	13,192	573	4%
United Assurance	12,648	585	5%
Pearl	39,548	2,076	5%
Prudential	58,606	3,128	5%
Royal London	9,357	532	6%
Legal & General	33,282	2,046	6%
Norwich Union	6,772	428	6%
Lloyds/TSB	46,562	3,310	7%
Royal Sun Alliance	14,995	1,213	8%
Guardian	8,225	855	10%
Barclays Life	16,700	2,315	14%

Source: Treasury

Pensions 'shame' list is issued

By Christopher Brown-Humes in London

Two companies, Hogg Robinson and Colonial, were yesterday condemned by the government for having the worst records for compensating victims of pensions mis-selling.

Their names were at the top of a table of the 24 worst offenders published by the government as part of its "naming and shaming" tactics to end the mis-selling debacle quickly. It was the first time such a table had been published.

Hogg Robinson, the travel and financial services group, had offered compensation in only two cases – with only one offer accepted. Colonial, the recently floated Australian insurer, had received just 32 acceptances from 6,754 cases on its books. Only two of the firms monitored by the government had settled more than 10 per cent of cases – Barclays Life and Guardian Royal Exchange.

Mrs Helen Liddell, economic secretary at the Treasury, said she was "profoundly depressed" by the "extremely disappointing" figures. "All the firms in the review have a great deal more work to do; some appear hardly to have begun." She also wanted to know why some companies were excluding thousands of cases from their reviews.

The figures show that compensation has been accepted in only 20,545 out of the 432,387 cases being reviewed by the 24 companies.

Two weeks ago, the government publicly reprimanded Legal & General and Sedgwick, the insurance intermediary, for failing to understand the urgency of the review.

Companies have until the end of the year to complete 90 per cent of priority cases, with the remainder to be cleared by the end of next year. All companies have individual deadlines.

Mrs Liddell has already warned that she is considering unspecified sanctions for companies which fail to show substantial progress by the autumn.

Mr Rob Garnsworth, managing director of Colonial UK, said: "We have agreed the timetable for completing the review and we will meet it."

Mr Roger Westwood, managing director of Hogg Robinson Financial Services, said: "Hogg Robinson is devoting considerable resources to its pensions review and is fully committed to completing the process within the government's prescribed timescale." Other executives in the industry privately accept that it needed to be galvanised after three years of slow progress. "There has been mis-selling, there has been foot-dragging, and the industry needed to be shaken up," said one insider yesterday.

Lex, Page 12

Move to end Aid and Trade worries companies

Ms Clare Short, the chief international development minister, is pressing ahead with a review that will probably end the link between overseas aid and contracts for UK companies, known as the Aid and Trade Provision. It accounts for about £80m ($135m) of the £1.2bn a year aid bilateral budget.

But many companies which benefit from ATP, and politicians from both main British political parties, think that her aim of maximising attempts to end poverty in developing countries will have the unintended effect of damaging prosperity in Britain.

"The Japanese, French and Germans get much higher commercial returns from their aid expenditure," said Mr Ian Campbell, director-general of the Institute of Export, a professional body with 6,500 members. "In the end, it comes down to philosophy – when you give, do you insist on strings attached, or is it just about charity?"

Ms Short told the Institute of Directors on Tuesday: "Evidence suggests that tying aid diminishes the effectiveness of our development efforts," referring to the obligation of aid recipients to purchase goods from listed UK suppliers.

> Executives say attempts to alleviate poverty in the developing world 'may damage Britain's prosperity'

"Aid should be primarily about reducing poverty ... and in a globalising world, ATP arrangements are distorting and marginal," she said, clearly reflecting the views of non-governmental organisations such as Actionaid and Oxfam.

Mr Richard Glover is export director of Mabey Johnson, a steel bridges manufacturer which over the past 10 years has benefited from ATP-related deals worth £36m. He said its loss would hit future attempts to win contracts.

Mr Glover also contested the idea that his firm's involvement in the aid effort did not alleviate poverty. "In the Philippines and Indonesia, our bridges have linked numerous farmers to new markets, improving living standards no end," he said.

Having received ATP allocations of almost £106m since the scheme began in 1978, Balfour Beatty, the construction arm of BICC, took a similarly sceptical view.

"We have projects in China and Thailand which currently benefit from the scheme," the company said. Balfour Beatty was also involved in the 1994 Pergau dam controversy – in which the government was forced to admit to a "temporary entanglement" between a £234m soft loan for the construction of a Malaysian dam, and a £1bn sale of British arms.

The episode, widely seen as a demonstration of the dangers of confusing export promotion with development, has provided Ms Short's review with much of its political impetus. But Mr Tony Baldry, a former Conservative minister, said Britain would be "naive" to wind down Aid and Trade unilaterally.

"Our partners and competitors use aid to gain competitive advantage for their companies – untying alone would be to our detriment."

Even Mr Dale Campbell-Savours, a former frontbench Labour spokesman on development, is "against a blanket ban to ATP". As MP for Workington, a northern England constituency in which British Steel manufactures railway lines for export, he wanted the review to "fully consult" companies involved in ATP.

"Transport infrastructure is the main British export to many developing countries," he said. "Export-oriented firms are already contending with high exchange rates and if they are squeezed further, they will start shedding jobs."

Ms Short defended her review on the grounds that "tying aid imposes additional costs on recipients and donors by restricting competition and choice."

In the words of one government official: "This scheme has benefited only a handful of well-connected companies, few of which provided the best value for money".

Liam Halligan

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ARTS

Strength in casting: from left, Wesley Snipes, Diane Lane and Daniel Benzali in 'Murder at 1600'

Cinema / Peter Aspden

All that frenetic Americana

SWINGERS
Doug Liman

GET ON THE BUS
Spike Lee

MURDER AT 1600
Dwight Little

SOMEONE ELSE'S AMERICA
Goran Paskaljevic

The dubious heroes of *Swingers*, Doug Liman's breezy comedy on contemporary courtship in LA, spend much of their time ruminating on the delicate art of prising a telephone number from an attractive woman. Or, as they might put it, how "money" (desirable) it is to get the digits from a baby. It is easy for Trent (Vince Vaughn), a cool, handsome bar-hopper who knows exactly how to tread the line between arrogance and self-possession.

But moping Mike (Jon Favreau), who is taking a scarcely credible six months to get over a break-up with his girlfriend, allows that forbidden affliction, uncertainty, to enter all his dealings with his intended prey.

His idea of small talk to a pretty waitress is to make laboured jokes about the Enlightenment; his maladroit answerphone technique forces him to end a relationship before it has started; he is too sensitive to resort to corny small talk, but too desperate not to. But Trent and his cohorts are always on hand to advise on the money way to a woman's heart.

Swingers is not so much about the sturdiness of male bonding as a pithy reminder of how diluted is the glue that brings young men together on a Saturday night. Liman and screenwriter Favreau put their story together delightfully, managing that rare feat of making their characters obnoxious and likeable at the same time.

It is all very self-referential – the leads are all aspiring actors, there are cute Tarantino and Scorsese take-offs – but never oppressively so; the script moves deftly, complemented by the energetic camerawork, and the playing is perfectly judged. And the cheesiness of LA nightlife is captured with cruel accuracy – you will never listen to the Bee Gees in the same way again.

*

Spike Lee's *Get On The Bus*, inspired by 1995's Million Man March to Washington, has much in common with an air disaster movie: a group of diverse characters, claustrophobically clumped together, are forced to re-assess their lives in the light of a common journey – but can they pull together and make it to their destination?

There is no untimely hole in the fuselage in Lee's movie, but plenty of talk. The passengers, African-American men of every (literal) shade, include a policeman, a film student; even that ultimate minority, a gay black Republican. They don't leave a single issue unturned; Lee even has them put up with a Jewish bus-driver.

But despite its inevitably didactic tone, there is plenty of restless energy in the director's latest exploration of black American identity. The ensemble playing is superb, particularly from *Homicide: Life On The Street's* Andre Braugher and Richard Belzer, and Lee's willingness to vary his style adds to the general edginess; a tableau of grief following the death of one passenger takes on the austerity of a classical tomb relief.

There is a redemptive, and surprisingly religious, ending; but it is not as rosy-hued as one might fear. The most tense encounter on the journey, between the policeman and a former gang-member who has confessed to murdering several gang rivals, is left disturbingly, and realistically, unresolved.

The greatest strength of *Murder at 1600* is in the casting of another television refugee, Daniel Benzali, as the head of the Secret Service in a turbulent White House. Followers of *Murder One* will be feverish with anticipation as they imagine that inimitable low-rumble growl-whisper in Dolby stereo.

Benzali is a director's gift: a casual raise of an eyebrow can take the place of three pages of plot exposition; and there is plenty to keep those brow muscles in trim in this functional political thriller. Wesley Snipes is the homicide detective who has to investigate a murder in the House of Shame, hampered by the big guns of government but aided by sharp-shooting agent-with-a conscience Nina Chance (Diane Lane).

Snipes is an expert on the historical lay-out of Washington's streets; Lane is an Olympic shooting gold medallist. This tells you all you need to know about a plodding last half-hour of hidden labyrinths and target practice with the Feds. There is some diplomatic intrigue with a trapped-hostages sub-plot, in which Alan Alda threatens the North Koreans with another re-run of *M*A*S*H*, but it all rather fizzles once Benzali and his eyebrows make their unexpected peace.

*

Amid all this frenetic Americana, it would be a shame to overlook Goran Paskaljevic's *Someone Else's America*, a gentle tale of two immigrants, Bayo (Miki Manojlovic, excellent) and Alonso (Tom Conti, hammy) who are denied their chance to make good in their adopted country. Paskaljevic leavens any sentimentality with a pleasingly bitter edge; his protagonists are victims of their own characters (over-proud and unimaginative respectively) as well as the circumstances all around.

There are ageing matriarchs, a death, a marriage and some unhappy magical realism; the only man who finds all events to his taste is Bayo's son Luka, who has entrepreneurial thrust aplenty, but also a (necessary?) ruthless streak, which says little of American values. But is it better to be a loser? A pity the film's silly ending, evasive rather than life-affirming, cops out.

*

Ash's *Bang* (has there ever been a film title and director's name totalling just seven letters?) is a film school exercise in low-budget, guerilla movie-making. Aspiring actress (yes, another one) Darling Narita is maltreated by a policeman (yes, another one) and takes revenge by stealing his clothes and posing as the hippest-looking motorcycle cop in the history of the LAPD.

At first, all is cool: she encourages a couple to continue making *al fresco* love, she gives away money to the poor. But the bloody realities of LA life impinge, and she is overwhelmed. There is promise in this slight work from British-born 29-year-old Ash, but it's a little too hip for its own good.

Saddest event of the week is to witness the decline of John *The Last Seduction* Dahl. His *Unforgettable* tells the dire story of a brilliant forensic pathologist (Ray Liotta) who bumps into a brilliant neurobiologist (Linda Fiorentino), who has found a formula for transferring people's memories around by injection of spinal fluid. This is a yukky, but undeniably useful discovery, particularly when you are piecing together a murder mystery. There are many – *so* many – injections, flashbacks, shootings, and the mystery (which is signposted 20 minutes in) is solved.

Two points to make: first, television – see Chris Carter's *Millennium* – is making this kind of material much more stylishly, and the movies are lagging far behind; second, how could Dahl criminally transform Fiorentino from the sassy predator of *The Last Seduction* to a helpless, sub-Lois Lane figure scarcely capable of undoing a seat belt?

Also in need of a new agent is Joe Mantegna, who does his best as a menacing Mafia hood in *Stephen King's Thinner*, although his only serious opposition is a 106-year-old gypsy who casts weight-loss curses (and worse) on those who would cross him. Think *The Nutty Professor* meets *Carmen*, but without the laughs and the music.

Theatre

Flawed Grace Note

Samuel Adamson's new play, *Grace Note*, is set in contemporary London. Grace, a bohemian 67-year-old, is outstaying her welcome at her son's house, taking refuge from the sheltered housing into which he has propelled her. A sometime music teacher and opera buff, she reminisces endlessly about watching Joan Sutherland and her trips to Australia, while her children, force-fed music from an early age, pour scorn upon her memories and squabble over her valuable cello.

Faced with such embittered offspring – Daniel, a gay barman, whose marriage to Ellie is one of convenience; Jennifer, a sour blonde in medical publishing; and Jack, a wide-boy doing something not quite proper in restaurants – Grace naturally cleaves to outsiders. Her confidantes are Ellie, Daniel's sensible wife, and Nick, a young lad who Daniel brings home, who surprisingly proves a kindred spirit. But Grace – the wonderfully mercurial Geraldine McEwan – is getting forgetful and her sprightliness is sometimes clouded by loss of lucidity.

This is Adamson's follow-up to his successful debut, *Clock and Whistles*, and it has many of the hallmarks of the notoriously difficult "second play". Adamson bravely attempts something ambitious, taking on families and values and the need for respect for the elderly and frail. He has a gentle, elliptical style that is refreshing in a young dramatist.

But the piece also has flaws: generating plot is not his strongest suit and the action is sticky and slow at the outset, to the point where you lose sight of what he is driving at, while the parallels that he draws between the not quite lucid Grace and Joan Sutherland playing Lucia di Lammermoor seem rather contrived.

Dominic Dromgoole's production, meanwhile, breathes and builds gently with the play, but it also looks a bit stretched. It is great to see new writing on the main stage of the Old Vic – how frustratingly ironic then that you often feel that this is a play that would make more impact in a studio space.

There are, however, many pluses. The dialogue is often very funny, the wit is fresh and tart, and Adamson has the gift of making you care about his characters. Performances are most appealing. Neil Stuke is enjoyably laddish as Jack, Matthew Rhys is touchingly shy as Nick and Holly Aird is excellent as the wise Ellie.

McEwan, meanwhile, holds the stage with her wry combination of independence and vulnerability. This certainly won't be Adamson's last play – or his best.

Sarah Hemming

Continues in rep at the Old Vic, London SE1 (0171-928 7616).

Theatre / Alastair Macaulay

Lives of great 'unimportance'

What is it that has inspired most of today's rich crop of Irish playwrights? Something, surely, akin to what impelled so many of the 19th century and early-20th century Russian writers: a sense of what the Russians called *poshlust* – the unimportance of provincial life. For it is in the "unimportance" of ordinary daily life that the true nature of life becomes most apparent – now petty, now strange; here comic, there pathetic. Certainly, this is true of Conor McPherson's beautiful new play, *The Weir*, which goes no further than a provincial Irish pub in the cold non-tourist months and lasts no more than 90 minutes, in one unbroken scene.

Like earlier work by McPherson, *The Weir* – which has just won the 1997 George Devine Award for new writing – has enthralling pace, and a flair for telling tales of the supernatural; but here these things are poignantly placed amid the *poshlust*. Jack and Jim are regular visitors to the small rural bar that Brendan runs. They are drinking and smoking there when Finbar, a former local, turns up, bringing with him Valerie, who has just moved here from Dublin. Soon, Finbar encourages Jack to recount one local ghost story: which prompts, first, Finbar and, then, Jim to tell other ghost stories from their own experience.

Though the men blame each other for having alarmed Valerie with these tales, it turns out that she too has her ghost story to tell: one that is deeply personal, very painful, and it is her reason for having left Dublin. The men all react differently. The telling and the listening help to form friendships. Jack finds himself telling her of the girl he loved over 30 years ago, a local girl who went to work in Dublin, and who after three years married another man. It is obviously a tale of the climax of his life, and he sees that the past three decades have been years of provincial anti-climax. There is a hint of attraction, left unspoken and undeveloped, between Brendan and Valerie. They will all be meeting again in the weeks and months to come.

Through a fabric embroidered full of details, the play makes us feel the transitory charm of life even while, no less powerfully, it tells us of life's wastefulness. There is an enchanting moment, before Valerie and Finbar have arrived, when Brendan, Jack and Jim wait, leaning on the bar in silence, smoking (McPherson's stage direction is "They puff contentedly for a moment"), and the three parallel rising lines of smoke before them are themselves eloquent. A little earlier, I was struck by the peculiarly telling pause that Brendan Coyle, as Brendan, inserted into one sentence ("If you had all the . . . families out there") and by the wordless "Mm" response given by Jim Norton as Jack – only to discover, later, that McPherson had already written both the pause and the "Mm" into his text.

Ian Rickson, directing, could not make a better case for the play – except for the fact that, during Jim's very sincere ghost story, Paule Constable's lighting dims on the rest of the room with too melodramatic/manipulative effect. An observer is grateful for innumerable minutiae, such as: the lines round the eyes of Gerard Horan (Finbar), as he smiles; the way Julia Ford (Valerie) stands, both vulnerable and affronted, as Finbar tries to explain away her story; the sudden dips into Guinness-black bass register of Jim Norton's voice as he casually talks; the exceptional courtesy of Kieran Ahern's handshake (as Jim) with Valerie before he departs; the way Brendan Coyle breathes as he listens in quiet to Jack's tale of love (which he has heard before). We believe these people's ghost stories because we believe the way they move and talk, and the way they stand and listen.

Not only does the play bring its world to life, but it also takes its characters and us through a wide range of feeling and reaction.

At the Royal Court, Theatre Upstairs, at the Ambassadors Theatre, WC2.

INTERNATIONAL
ARTS
GUIDE

■ BAD KISSINGEN

CONCERTS
Kissinger Summer Festival
Tel: 49-971807110
● Burkhard Glaetzner conducts Handel's *Messiah*; at the Stadtpfarrkirche Münnerstadt; Jul 10
● Bamberger Symphoniker: conducted by Gerd Albrecht in a programme of works by Tchaikovsky, Beethoven and Elgar; at the Regentenbau; Jul 11
● Barcelona Symphony Orchestra: conducted by Lawrence Foster in works by Gerhard, Shostakovich, Elgar and Mendelssohn; at the Regentenbau; Jul 12
● Barcelona Symphony Orchestra: conducted by Lawrence Foster in a programme of works by Britten, de Falla and Ravel; with piano soloist Daniel Barenboim; at the Regentenbau; Jul 13

■ CHELTENHAM

Cheltenham Festival
Tel: 44-1242-227979
CONCERTS
● Sundsvall Chamber Orchestra: conducted by Niklas Willen in works by Rossini, Lindgren, M Hayden and Beethoven; at the Town Hall; Jul 10
● BBC Symphony Orchestra: conducted by Markus Stenz in Brahms' Symphony No. 2 in D, a new work by Hoyland and Mahler's *Songs of a Wayfarer*; at the Town Hall; Jul 11
● Orchestra and Choir of the Age of Enlightenment: in works by Bach and a specially-commissioned work by Betty Roe; directed by Paul Nicholson, with soprano Ruth Holton and bass Peter Harvey; at the Town Hall; Jul 12
● Hanover Band and Corydon Singers conducted by Matthew Best in works by Wagner, Pärt and Brahms; at Tewkesbury Abbey; Jul 14

OPERA
● Die Fledermaus: by J Strauss, sung in English by the European Chamber Opera; at the Everyman Theatre; Jul 10, 11
● La Bohéme: by Puccini, performed by the European Chamber Opera; at the Everyman Theatre; Jul 12

■ DROTTNINGHOLM

OPERA
Drottningholms Slottsteater
Tel: 46-8-4570600
Euridice: Jacopo Peri's opera dates from 1600 and this is its Swedish premiere. Produced by Karl Dunér, and designed by Peder Freiij, with the Drottningholm Theatre Orchestra conducted by Jakob Lindberg; Jul 11, 12, 15

■ GRAZ

CONCERTS
Styriarte Festival
Tel: 43-316-825000
● Nikolaus Harnoncourt, star of his home town's festival, conducts the Chamber Orchestra of Europe in the complete Brahms symphonies, presented as a cycle for the first time, as the Beethoven and Schubert symphonies have been presented here in the past. Symphonies 1 and 2 are performed on 4th and 9th; 3 and 4 on 7th and 10th; at the Stefaniensaal
● Der Graf von Gleichen: its libretto banned by the censor, Schubert's last opera remained unfinished. By piecing together the fragments and filling in the gaps, contemporary Austrian composer Richard Dünser has created a finished piece, performed here by the Graz Philharmonic Orchestra conducted by Andreas Stoehr; at the Stefaniensaal; Jul 12

■ LONDON

CONCERTS
City of London Festival
Tel: 44-171-638-8891
Monteverdi Vespers (1610): William Christie conducts Les Arts Florissants in the festival's closing concert; at St Paul's Cathedral, EC4; Jul 10

OPERA
Royal Opera House
Tel: 44-171-304 4000
● Simon Boccanegra (1857): British stage premiere of this, the original version of Verdi's opera. Mark Elder conducts, Ian Judge directs. Sergei Leiferkus, Plácido Domingo and Kallen Esperian star; Jul 10
● Die Meistersinger von Nürnberg: Bernard Haitink conducts Graham Vick's production of Wagner's opera. John Tomlinson sings the role of the poet-cobbler Sachs. The final performance will be the last opera staged at Covent Garden before the theatre closes for renovation; Jul 12

DANCE
London Coliseum
Tel: 44-171-632 8300
● The Kirov Ballet: Don Quixote – a highlight of the month-long season; casts vary; Jul 10
● Swan Lake – casts vary; Jul 11, 12
● Symphony in C/Giselle – Balanchine's masterpiece is staged by John Taras of New York City Ballet, with casts to include all of the Kirov's leading ballerinas; Jul 14, 15

THEATRE
Shakespeare's Globe
Tel: 44-171-401 9919
● Henry V: by Shakespeare – Mark Rylance stars as the young king in a production directed by Richard Olivier and designed by Jenny Tiramani; in repertory
● The Winter's Tale: by Shakespeare – directed by David Freeman; in repertory;

The Old Vic
Tel: 44-171-928 6655
The Seagull: by Anton Chekhov, in a version by Tom Stoppard directed by Peter Hall. Felicity Kendall is Madame Arkadina; in repertory

■ NEW YORK

Lincoln Center Festival 97
Tel: 1-212-875 5030
CONCERTS
● Ornette Coleman and Prime Time with dancers, rap and video artists in a special expanded version of *Tone Dialling*; at the Avery Fisher Hall; Jul 11
● New York Philharmonic at the Avery Fisher Hall. Kurt Masur conducts a programme of works by Henze and Wagner. With soprano Deborah Voigt; Jul 12, 14

THEATRE
● Les Danaïdes: US premiere of Silviu Purcarete's reconstruction of Aeschylus' 470 BC tetralogy. Performed in French with English supertitles; Damrosch Park, 62nd St near Amsterdam Ave; to Jul 20
● Woza Afrika: After Apartheid – four different programmes of South African township plays. Presented at the John Jay College Theater and LaGuardia Theater; to Jul 27

■ PARIS

DANCE
Opéra National de Paris, Palais Garnier Tel: 33-1-43439696
Sylvia: the Opera Ballet performs a new version, with fresh choreography by John Neumeier, to music by Delibes; Jul 10, 11, 12, 14, 15

OPERA
Opéra National de Paris, Opéra Bastille Tel: 33-1-44731300
● Manon: by Massenet. Musical director Gary Bertini presides over a staging by Gilbert Deflo, with designs by William Orlandi; Jul 10, 12
● Rigoletto: James Conlon conducts Jérôme Savary's staging of Verdi's opera, with sets by Michel Lebois; Jul 11, 15

■ SANTA FE

OPERA
Santa Fe Opera
Tel: 1-505-986 5900
● Cosi Fan Tutte: Kenneth Montgomery conducts Mozart's opera, sung in English, in a new production directed by Nicolette Molnar and designed by Bruno Schwengl; Jul 11
● Semele: new production of Handel's opera, conducted by John Nelson and directed by John Copley. Elizabeth Futral sings the title role; Jul 12

■ TANGLEWOOD

CONCERTS
Tanglewood Festival
Tel: 1-617-931 2000
● Seiji Ozawa conducts the Boston Symphony Orchestra in a programme of works by Brahms, with violin soloist Maxim Vengerov; the Shed; Jul 11
● The Leonard Bernstein Memorial Concert: Robert Spano conducts the Tanglewood Music Center Orchestra in works by Bernstein, Mozart, Dvorák and Brahms, with violin soloist Isaac Stern; the Shed; Jul 13

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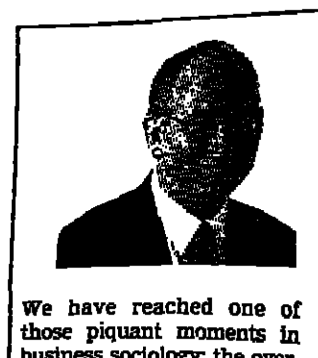
Squawk Box

10.00
European Money Wheel

18.00
Financial Times Business Tonight



Peter Martin

Remake of an old classic

Multinational companies tackle internal cultural issues in many different ways, but the message always remains the same: sell harder and collaborate

We have reached one of those piquant moments in business sociology: the overhead transparency has finally succumbed to its upstart rival, the computer slide presentation.

Wherever you go in the world, internal company meetings are now enlivened with the same stock artwork, the same canned music, the same zooming and flashing words.

At this very moment, a thousand middle managers are doing elaborate TV-style fades between virtuous circles and thrusting, three-pronged strategies. Across the globe, the same 1950s-era drawings of men at desks and women with briefcases are being used to explain that "People Are Our Greatest Asset".

The slides may be flashier, but the content remains the same: exhortations to sell harder, embrace change and, above all, collaborate. Little has altered in the 110 years since Patterson at National Cash Register in Dayton, Ohio, invented the sales meeting. The task is getting harder, however. The increasing pace of globalisation heightens the challenge that multinationals have wrestled with since Patterson's day: how to get a company to work effectively across borders.

In the early decades, the problem was solved by adopting the approach pioneered by the Catholic Church or the great European empires. The company was tightly controlled at the centre, but the outlying provinces were allowed a wide independence. Local plenipotentiaries had great discretion in peddling the products wished on them by headquarters. There was no need for cross-border internal meetings.

Initially, this approach was the only choice: slow communications saw to that. As it became easier and faster to send messages and people across the globe, the colonial model seemed less appropriate – and perhaps less politically acceptable too. By the 1950s, as the great international surge of US companies began, the United Nations became the model.

Home operations were still the preserve of the domestic elite, from whom the overall leadership of the company would continue to be drawn. But overseas, local talent was actively promoted, even if such careers were likely to be confined to the international division. All nationalities were officially equal; some were a bit more equal than others.

As at the UN, elaborate bureaucracies were erected to co-ordinate operations. Internal meetings flourished; the overhead projector was born. The centre supervised the periphery more closely, often in a matrix structure that balanced country managers with worldwide lines of business and functions.

In the half-century of globalisation that has followed, international companies have oscillated between global and local power, depending which they think will best save costs or speed up decisions. The balance between the two is never easy. For manufacturing businesses, however, it is possible to separate the creation of the product from its sale and delivery, simplifying the division of responsibilities.

The problem is inherently more complex in services, where sales, distribution and creation of the "product" are inextricably intertwined. As a wave of global mergers or joint operating agreements affects such industries as financial services, air transport and telecoms, the challenge of securing international co-ordination is ever greater.

Organisation can only achieve part of this task. In the end, as the management theorists Mr Sumantra Ghoshal and Mr Christopher Bartlett pointed out in 1989, the secret of successful international companies lies in creating a "matrix in managers' minds", regardless of the formal structure of the company.

International companies have tackled this cultural issue in three different ways. The first, and the closest to the colonial model described above, is what might be called the detached approach. In its business operations, the company may be globally integrated; but in cultural terms it remains fragmented. Different subsidiaries have different internal cultures. People transferred from one to another must toe the local line, or find themselves ostracised. In internal gossip, national characteristics are accepted as valid (if often annoying) explanations for idiosyncratic policy decisions. Managers form distinct national factions, each prizing loyalty to compatriots above the interests of the company as a whole.

Few people would set out to create such a culture. In practice, however, it persists in many big companies today – including ones that officially describe themselves as thoroughly integrated and cohesive.

A second approach succeeds in achieving cultural cohesion, but at a price. In this case, the company is integrated round a dominant national culture, typically that of the US. In their private lives, individual executives retain their national cultures; in their business lives, however, they have completely assimilated the values of the parent. When you meet one of these people, you know instantly that you are talking to someone from International Business Machines, EDS or Arthur Andersen.

The third approach is one that appears theoretically the most attractive: a true mingling of cultures, to create an attitude of mind which draws on all its constituent nationalities, but is broader than any single one of them. Historically, Shell is the company most associated with this approach, which must owe something to its shared Anglo-Dutch heritage. Schlumberger is also seen by its rivals as having gone some way towards this goal.

In practice, though, none of these approaches is ideal. The detached approach sacrifices the potential benefits of global scale and risks causing endless internal feuds, as under the old structure at Credit Suisse First Boston.

Having a dominant national culture does not automatically solve factional problems, as the tensions between Arthur Andersen and Andersen Consulting vividly illustrate. It may also deprive the company of potentially talented leaders.

But the mingling of cultures is even harder to bring off. In practice, the respect for individual cultures it requires may lead to the creation of geographic fiefs. It may also enforce a consensus approach to decision-making that is hard to sustain at times of rapid change within the industry. Arguably, Shell has run into both these problems in the past decade, though it is taking steps to resolve them.

So, with no all-embracing solution in sight, companies simply press on with the round of internal meetings and presentations, smoothing the rough edges of cross-border relationships as best as they can.

The task is difficult, but not impossible. Computer presentations may not help much, but changing attitudes can. Market capitalism and the synthesis of the best Anglo-Saxon, Japanese and continental European industrial practices are producing a shared set of core business principles. There is a degree of consensus which was not apparent a decade ago. Even without a fully integrated corporate culture, international companies can hope for a higher degree of internal agreement than before. Perhaps those billions of overheads did not die in vain?

Email: peter.martin@FT.com

BOOK REVIEW · William Hall

SWITZERLAND UNWRAPPED: Exposing the Myths, by Mitya New
I.B. Tauris, £18.95, 210pp

Search for the Swiss soul

For a country of 7m people, Switzerland has been subjected to an undue amount of international attention lately. Until the recent revelations about its wartime dealings with Nazi Germany, it had been regarded as a land of cleanliness, godliness and good order.

It was the home of storybook heroes like William Tell and Heidi, and sold itself as a peace-loving neutral with a great humanitarian tradition. The Swiss founded the International Red Cross in Geneva in 1863 and the country provided refuge earlier this century for revolutionary figures such as Lenin and Garibaldi, and artists such as Bertolt Brecht and Thomas Mann.

Today, these are not the images that most readily spring to mind.

Switzerland has been accused of callously turning back Jewish refugees trying to escape the gas chambers and exploiting its neutrality to grow rich from the misfortunes of others. It is no longer held up as a role model of civilised society, but stands accused of dishonesty, stubbornness and arrogance. Switzerland has a huge public relations challenge on its hands.

Switzerland, perhaps more than any other country, is tightly wrapped in cliché – clichés about banks and gnomes, neutrality, mountains, chocolate and cuckoo clocks. Today's debate about the country relies heavily on popular images and stereotypes of one of Europe's most visited but least well-known societies.

Mr Mitya New, 37, who spent five years as a journalist working for Reuters in Switzerland, has attempted to dig behind the clichés. His book is a series of interviews with Swiss people ranging from the boss of Switzerland's most powerful bank to a gypsy who was one of 700 children kidnapped at birth by a Swiss charity.

The subject matter ranges from the predictable – Zurich's drug problem, the army, and Switzerland's relations with the Jews – to an interview with an 84-year-old expert on Davos's sanatorium era.

Mr New is not a Studs Terkel, the 85-year-old US historian who has built up a picture of the US through 6,000 interviews. Nevertheless, the book gives an insight into why the Swiss are having such difficulty coping with their public relations. Some of the clichés about the Swiss appear dangerously true.

Take the interview with Mr Robert Studer, conducted before he became chairman of Union Bank of Switzerland. Hanging on the wall of Mr Studer's office is a plaque with the inscription "Lead, follow or get out of the way". Mr Studer, a colonel in the Swiss army, fits the popular image of Swiss banker. He learnt his leadership skills, along with the rest of the UBS top brass, as a part-time soldier. If Switzerland were to do away with compulsory military service, Mr Studer says, then "in 10 to 20 years the quality of leadership would decline sharply throughout the country and reverberate throughout the economy".

He used to have equally forthright views on the issue of unclaimed Jewish money in Swiss banks. "For us it is no issue at all ... I have no problem with my conscience." But that was before UBS was caught shredding historical bank documents. Mr Studer is kept out of the limelight these days and it has been left to Mr Rainer Gut, chairman of Credit Suisse, UBS's arch-rival, to defend the banks' honour.

Another popular cliché about Switzerland is the country's attention to legal detail regardless of the big picture. This attitude is encapsulated by the case of Paul Grüninger, a former St Gallen police chief who fiddled his records to help Jewish refugees enter Switzerland. His daughter's tale of his dismissal and subsequent shoddy treatment is a salutary reminder of the dangers of bending the rules in Switzerland. Grüninger died in 1972, more than 20 years before the Swiss authorities forgave him.

However, the book also points up some of Switzerland's better points often overlooked in the recent criticism. Mr Nicolas Hayek, the Lebanese-born entrepreneur who rescued the Swiss watch industry, has shown that outsiders who oppose conventional wisdom can still get to the top in Switzerland. He supported the recent Swiss referendum on banning arms exports.

Mr Rakra Tethong, a Tibetan refugee, became so enamoured of the Swiss way of life that he joined the local fire brigade. Mr Jacques Picard, a Swiss historian and long-time critic of Switzerland's treatment of Jews, has been given a seat on the government's historical commission investigating the country's wartime record.

Many of the accounts in the book confirm some of the more common prejudices about the country. However, at least the author has taken the trouble to listen to the Swiss, which is more than many of the country's most vociferous critics are prepared to do. If they listen carefully, they may just detect that Switzerland is changing – for the better.

Switzerland Unwrapped *is available from FT Bookshop by ringing FreeCall 0500 500 635 (UK) or +44 181 324 5511 (outside the UK). Free p&p in UK*

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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Chancellor's 'stealth attack' on consumers' windfall gains should be seen by Bank as sound reason for not raising interest rates

From Mr Andy Hartwill.

Sir, As the Bank of England governor, Mr Eddie George, and his colleagues assemble to consider the next move on monetary policy, there are fears of unnecessary tightening and sterling strength. The Bank has previously taken criticism for apparently underestimating the monetary impact of sterling strength and of overestimating the non-inflationary rate of unemployment. To those we would add a new danger – underestimating the impact of the abolition of tax credits on the consumer sector.

We estimate that the present value of the abolished tax credits is some £85bn. Unless pensioners, prospective or current, are prepared to tolerate a diminution of their benefits on the same scale, contribution rates will have to increase. In that sense the abolition represents a liability transfer from the state to the corporate/personal sectors – in keeping with the best principles of "Thatcherism" and of the US.

Imagine that the liability transfer is split 60/40 between the corporate and personal sectors. The portion to be assumed by the personal sector would then be £35bn, about the same as the highest estimates currently for the total amount of the windfall cash.

The apportionment we have used here is entirely arbitrary – it simply serves to illustrate the principle: that in the abolition of the tax credit, the chancellor, Mr Gordon Brown, has also indirectly tightened on the consumer – albeit that there will be a delay between the fact and its realisation. It is a stealth attack on the incipient consumer rampage.

During the delay the real danger is that of the "knee-jerk" response to the anticipation of the windfall "cash" – pushing interest rates and sterling higher than otherwise would be necessary. Getting ahead of the curve always runs the risk of ignoring the gaping hole immediately in front of your feet.

Our respectful advice to the happy recipients of the windfalls is simple: your first call should not be to Airtours or Marks and Spencer; instead it should be to your pension fund provider to enquire by how much you got hit in last week's Budget. Only then should you consider your holiday plans or your replacement washing machine. Our equally respectful advice to Mr George is to recognise the tax credit as a liability transfer – however long it may be in the recognition – alongside sterling strength and the structural changes to employment patterns.

Andy Hartwill,
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Exchange House,
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London EC2A 2DD, UK

From Mr John Monks.

Sir, any decision by the Bank of England's monetary policy committee to raise interest rates this month, so soon after the Budget, would be premature. The economy overall still has room for expansion, especially in the labour market. Higher interest rates now are in danger of putting growth, investment and jobs at risk.

The Budget forecast shows economic growth reducing rapidly in 1998. The Budget did tighten fiscal policy and to reinforce this immediately with tight monetary policy risks a bigger fall in output than expected. As the Budget Red Book warned, the investment recovery is still fragile. This is especially true in manufacturing, and the high pound is starting to impact on output, exports and jobs.

The chancellor has made clear his concern at the impact of the exchange rate, but the Treasury does not have a direct policy lever. The high exchange rate is in part because of City expectations of even higher interest rates. Accommodating those expectations is likely to become a self-fulfilling prophecy and keep the pound high.

It would of course be wrong to be complacent about the impact of building society windfalls on the strength of consumer spending this year. However, the windfalls are a one-off, and the committee's guidelines allow for temporary disturbances in meeting the inflation target.

Higher interest rates now will start to bite precisely when the impact of the windfalls should be dropping out of spending next year. There is a danger of policy overkill rather than under-correction.

John Monks,
general secretary,
Trades Union Congress,
Congress House,
Great Russell Street,
London WC1B 3LS, UK

From Mr Brendan Brown.

Sir, I would like to enter a counter-plea to Mr Wolf's request for a sharp tightening in UK monetary policy ("The case for higher rates", July 8). Look at the example of the Dutch economy. This is booming like Britain's. Consumer spending and rising residential real estate prices have been a side-feature of the much commented upon Dutch economic miracle. Yet Dutch interest rates have remained at about 3 per cent, and the guilder remains in virtual monetary union with the D-Mark. Inflation is barely higher than in Germany.

Why all the heated excitement in the UK, with the pound soaring towards the sky and talk of 9 per cent interest rates before this cycle is out? True there is the added factor in the UK of windfall wealth gains from building societies turning themselves into public companies. But surely the added consumer spending which stems from that conversion will soon be reflected in a sharp widening of Britain's trade deficit with the rest of the EU.

If the UK were part of a monetary union with core Europe, that transitory bulge in the deficit would occur alongside only a marginal shift in the UK price level (relative to that in our EU trading partners). Why should our relative price level have to change so much more under the present floating exchange rate regime?

Brendan Brown,
director and head of research,
Tokyo-Mitsubishi International
6 Broadgate,
London EC2M 2AA, UK

From Mr Michael Valentine.

Sir, Consumers are not stupid. If the cost of imported goods is much lower because of the high pound they will continue to consume. It follows that if the Bank of England puts interest rates up and thereby pushes the pound still higher, the increase will have the opposite effect to that intended. Conversely, if consumers see prices of imported goods going up sharply they will be discouraged.

So, logically, interest rates should be reduced in order to achieve the effect of the increase in taxes on consumption which was missing from the Budget to avoid lasting damage to the UK's capacity to trade internationally and to prevent serious unemployment developing across the manufacturing industry.

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COMMENT & ANALYSIS

FINANCIAL TIMES
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An emerging bubble

Some very strange decisions are being made in the world's financial markets. Serious financial institutions are buying billions of dollars of long-term bonds from countries that five years ago were regarded as economic disaster areas. Moreover, they have been buying them at razor-thin margins over US Treasury bond yields.

Some institutions will come to rue their euphoria. Many know it, but each believes it will be the one to escape the consequences that will be visited on its less nimble rivals. Their behaviour is one important sign that central banks in Japan and continental Europe are still pursuing an expansionary monetary policy, pushing money into their economies in an attempt to revive the spirits of consumers. But consumers have been slow to react.

This excess liquidity has spilled over into financial assets on a global basis, driving up prices. Much of the money ends in the hands of institutions in the US which scour the world in search of higher returns.

The behaviour of investment institutions also contributes to the euphoria. With yields so low, institutions' returns come mainly from capital gains. With their performance against their competitors measured quarterly, short-term trading gains or losses far outweigh relatively small differentials in annual bond yields.

This means that institutions can justify buying, to cite some recent examples, US dollar bonds from China yielding less than a percentage point over the equivalent US Treasury paper and bonds from Slovenia with a yield difference of less than half a point.

These are margins that in no way compensate investors for the higher risks they are taking. Fund managers know this but cannot bail out, lest the rally continues and their performance against their peers looks anaemic.

These "emerging" bond markets are not alone. Russia's very risky stock market has raced away this year, as has Mexico's in recent weeks. The Thai stock market last week shrugged off a devaluation that could further undermine the banking system, and rose sharply. There is even a growing interest among investors – or at least among the brokers that vie to serve them – in Africa. In the US itself, the junk bond market has been roaring ahead and bank lending margins to corporate borrowers have slumped.

There are good reasons why some emerging markets should be more highly rated than they were. In a world of increasingly institutionalised savings, fund managers are seeking to spread risk by investing in new financial markets. In regions such as Latin America, pools of domestic savings are also being created through private pension funds. Moreover, many developing economies are simply more open and market-oriented than they were in the 1980s. Inflation has fallen and the prospects for growth in certain emerging markets are genuinely better than in the more developed world.

Yet it is abundantly clear that many investors are not distinguishing adequately between these good risks and the bad. The history of financial market bubbles suggests they should now act with greater caution. Let the buyer beware.

Opening Europe

Throughout central and eastern Europe the desire for security is as strong, if not stronger, than the thirst for prosperity. Joining the Nato alliance is seen as a guarantee of the former; joining an enlarged European Union offers the hope of the latter.

In Madrid this week, Nato leaders accepted Washington's argument that only a limited first wave of new entrants would be acceptable, not least to the US Senate. So they restricted their invitations to the Czech Republic, Hungary and Poland, although they have left the door ajar for further aspirants. Romania and Slovenia, both of which qualified on paper for membership, have been singled out for special mention, which should give them priority in a second wave.

That was a sensible compromise. Russia's opposition will be contained and the prospect of a veto in Congress reduced. By offering the prospect of future membership, Nato actually helps to stabilise potential trouble spots. So does the EU, whose enlargement negotiations must now be launched.

It looks as though the European Commission will recommend that five of the 10 applicant countries from former communist Europe be invited to start their talks next year. In this case, Slovenia and Estonia would join the Czech Republic, Hungary and Poland in the first wave. They have made similar progress towards satisfying the "objective" financial and institutional criteria laid down to judge suitability for entry.

Both countries have pushed through impressive economic reforms, created strong currencies and curbed public spending. But the symbolic importance of including Slovenia and Estonia is what really counts. If the EU member states confirm the list, they will be agreeing to expand into the sensitive Baltic and Balkan regions which Nato is currently loath to do.

They should go ahead. Starting negotiations with the five would send a positive signal for the other Baltic and former Yugoslav states. It would encourage democratic and reform-minded forces. This would in turn encourage stability, without offending Russian sensibilities. Moscow, which still opposes Nato enlargement to any parts of the former Soviet Union, is less hostile to their closer economic integration with western Europe. The EU can thus mitigate the disappointment caused by Nato's caution.

Alas, John Peel

The British have always been a nation of rural sentimentalists. Strange, then, that three separate countryside marches from Scotland, Wales and the south-west of England will today converge on London in a protest against alleged attacks by Westminster on the rural way of life.

The proximate cause of this anger is a Labour private members' bill to ban hunting with hounds. But according to Lord Mancroft, deputy chairman of the British Field Sports Society, country folk are up in arms because the Commons has lost touch with rural areas.

Here is cause for celebration indeed. Agriculture now accounts for a mere 2 per cent of British gross domestic product. Yet the farmers' grip on the nation's purse strings remains adamantine.

Thanks to the European Union's Common Agricultural Policy, subsidies from consumers and taxpayers to EU producers were equivalent in 1994 to 50 per cent of agricultural production. The comparable figure for the US was 21 per cent. The British farmer, though scarcely to blame, has all four feet in this ample trough.

Nor do the subsidies come only via the EU. For most UK declining industries the dripfeed of taxpayers' money was switched off in the 1980s. Not so in agriculture, where it was assumed without question that the main costs of the BSE saga should fall on the taxpayer.

In truth, the British attitude both to farmers and the countryside is a bundle of paradoxes. The middle-class love affair with estate cars and garden suburbs reflects an atavistic yearning for a rural idyll. Yet those same estate cars are instruments of a free-range British capitalism which ruins the countryside with exhaust fumes and traffic jams.

The urban working class may be none too happy with hunting and shooting. Yet millions angle furiously, while millions more love the countryside from the safety of a well-shuttered car. Youth, meantime, becomes increasingly vegetarian, while taking dangerously toxic drugs as a matter of course.

To the French, who still eat horsemeat, and the Italians, who shoot anything that moves, this all seems nonsensical. But it is not. As the strategic importance of agriculture declines and horsemanship becomes irrelevant to Britain's defence requirements, John Peel's claim on the nation's affections – and votes – inevitably wanes.

From empire to nation state

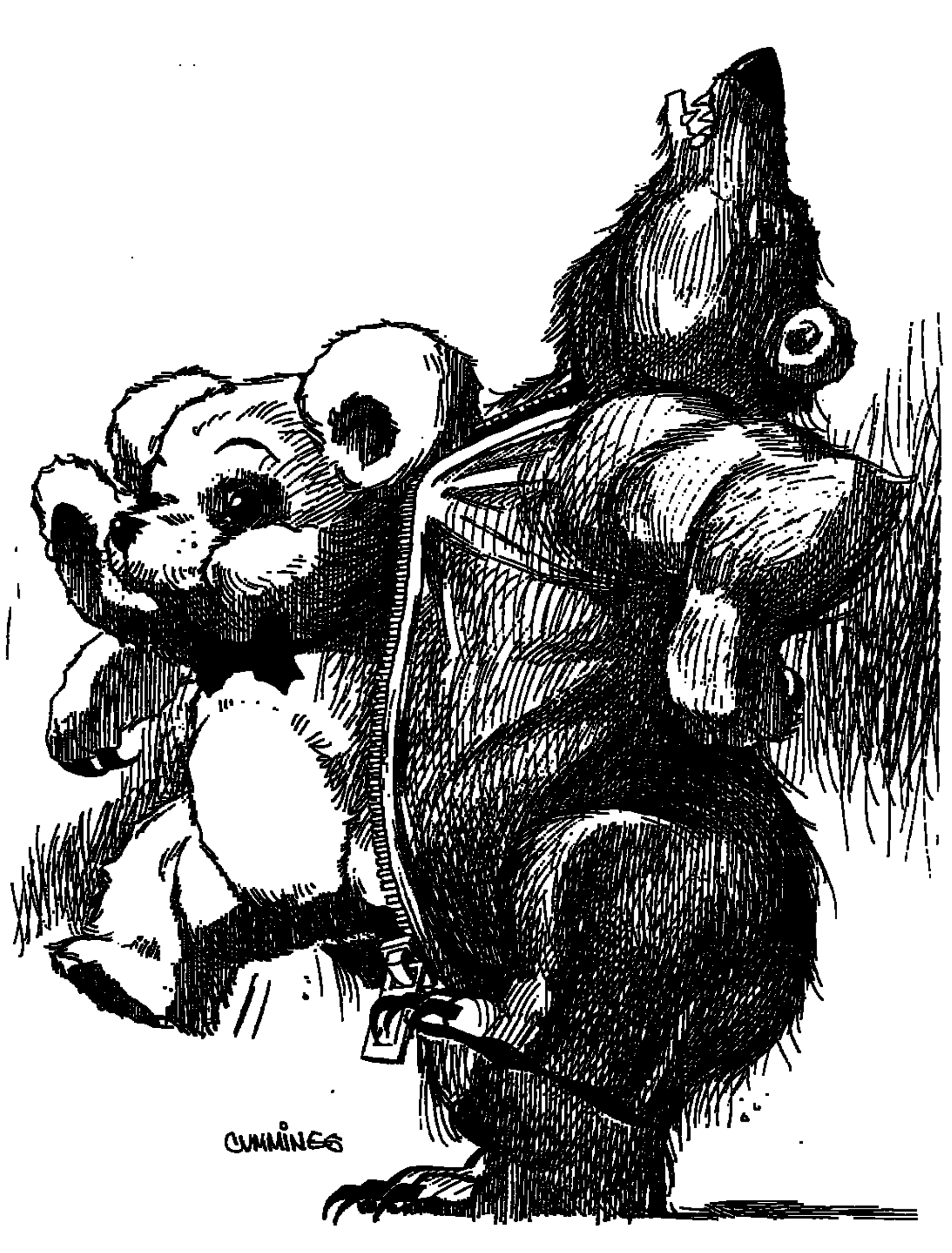
As Nato expands eastwards Russia is having to come to terms with the loss of its superpower status, writes **Chrystia Freeland**

Since the 16th century, when the monk Philotheus assured the reigning Kremlin prince that Moscow was the heavenly ordained world capital – what he called the Third Rome – Russia's rulers have been supremely confident of their nation's imperial destiny. But their faith has been shaken over the past decade as the Soviet empire crumbled. And now, as the new, post-communist order takes fragile root, Russia's leaders seem to be considering abandoning the imperial project altogether.

One of the clearest signals came at this week's Nato summit in Madrid, where Poland, Hungary and the Czech Republic – nations that just a decade ago were under Moscow's absolute domination – were invited to join the western military alliance. The Kremlin has given its grudging consent to the expansion, in an indication that, for the first time in its history as a state, Russia may be setting aside its empire-building ambitions. Other recent signs include Moscow's softening of plans to annex neighbouring Belarus, the cementing of a peace with the triumphant Chechens and the recognition of the independence and borders of Ukraine.

Strikingly, this retreat from former spheres of influence has provoked little outcry from Russia's hard-pressed masses or from its normally loquacious elite. After devoting five centuries to imperial expansion, Russia seems abruptly to have reconciled itself to a diminished global role.

"Regardless of who was in power – Ivan the Terrible, Peter the Great, or the Bolsheviks – in all its history the Russian state has had an imperial messianic ideology," says Mr Andrei Piontkovsky, director of the Moscow-based Centre for Strategic Studies. "This spring was a turning point in Russia's choice between being an imperial power and a nation state. It marked a strong decision to reject empire. The really surprising thing is that the negative reaction to the loss has not been stronger."



Moscow watchers warn that the calm may be deceptive. Russia's new national ideology is still unformed and some politicians continue to hope for a new imperial drive. But even if it is just temporary, Russia's newfound global modesty is a sharp break with tradition. It is also at odds with prevailing assumptions about Russia, as the debate over Nato expansion demonstrated.

Conventional opinion warned earlier this year that enlargement of the military alliance would inflame Russia's nationalist instincts, provoking an anti-western backlash. Instead, as Nato has pushed ahead with its expansion plans Russia has become friendlier. The clearest example of this response was the decision by Mr Boris Yeltsin, Russia's president, to sign a historic treaty with Ukraine this spring recognising its sovereignty and territorial integrity.

Ukraine has always been Russia's most cherished imperial prize and the Kremlin had long demonstrated a reluctance to acknowledge its independence. But Nato's decision to move eastward, and Kiev's own increasingly warm ties with the west, convinced the Russian elite that treating their neighbours with respect was Moscow's only hope of preserving any sort of influence at all.

"The symbolism of Yeltsin's visit to Kiev this year is ironic," explains Mr Zbigniew Brzezinski, former US national security adviser and one of the strongest original advocates of Nato's eastward drive. "It shows that Nato expansion makes Russia compromise. It forces Russia to draw certain conclusions, to realise that the conditions in the world today are not propitious for imperialism."

One reason for the Kremlin's conciliatory reaction seems to be a growing sense – both within the ruling establishment and among the populace – that Russians stand to gain more than they stand to lose by giving in to their former cold war adversaries.

With the collapse of the Soviet Union, Moscow is now more likely to be humoured than feared in the west, while it encounters open hostility in the former Soviet republics. But this national decline has been accompanied by individual liberation; Russia's elite has exchanged the grey world of the Soviet nomenklatura for the designer brands and playgrounds of the international jet set.

"We lost the empire, but we won the world," explains Mr Sergei Karaganov, a presidential adviser and former cold war warrior. "The Russian elite is feeling more and more confident. In elegant Swiss watch shops in Geneva you dare not say a word in Russian these days because all the sales clerks will throw themselves at you."

Swiss merchants' newfound respect for the language of Tolstoy and Chekhov is, of course, no consolation for ordinary Russians whose living standard and life expectancy have plummeted since the disintegration of communism. But even many of the masses today seem more interested in imitating capitalism than in burying it.

"Most ordinary people understand that the imperial ideology was bought at great personal cost to the masses," Mr Piontkovsky says.

Mr Sergei Markov, a Moscow political science professor, goes even further. He argues that bitter experience has compelled many Russians to reject their own society altogether and dream of replacing it with a western model. "The idea of building an alternative civilisation turned out to be unfulfillable and so it has been turned on its head," Mr Markov says. "Now, instead of thinking all things Russian are good, many people think all things Russian are bad."

Another explanation for Russia's acquiescence is that the country has been undermined by imperial exhaustion. For all the windfall wealth of its globe-trotting elite, Russia as a state is enfeebled. Its occasional efforts to muster its old imperial zeal have been grisly catastrophes.

The most telling was the war in Chechnya, which revealed that the Kremlin's new masters possessed all of the brutality but almost none of the power of their predecessors. When they forced Moscow's drunken, unfed and ill-disciplined youths out of Grozny, Chechnya's separatist fighters did more than win their own sovereignty. They proved to Russia and to the world that the Kremlin no longer had the strength to hang on even to its peripheral possessions.

For Russia's neighbours, and for much of the world, Moscow's imperial exhaustion is an occasion for celebration. But fatigue passes and already Russian pundits and politicians are beginning to debate what shape their nation's foreign policy is likely to take when the country emerges from its post-Soviet transition.

Here opinion is divided. Some observers caution that the greatest danger is continued economic collapse. If the Kremlin's promise of economic growth next year fails to materialise, they warn, Russia's long-suffering populace might at last lose faith in capitalist dreams and return to its traditional consolation of aggressive expansion.

But other policymakers believe – and hope – that economic success will power the return of a more muscular Russia to the world stage. One of the leading advocates of this sort of streamlined, post-communist imperialism is Mr Karaganov, who argues that "Russia is becoming an imperial power of the 20th century; we no longer need physical control over territory, we can have economic influence."

Mr Karaganov sees Russia's new quest for influence beyond its borders as gentler than its previous stabs at hegemony. "Russia wants to dominate but not control," he says. While this may seem like an enlightened new approach to some Moscow policymakers, for the Kremlin's battered neighbours Mr Karaganov's prescription is unlikely to be terribly consoling.

Russia's neighbours, and its new western partners, are also troubled by Moscow's continued habit of blaming its woes on the west, a hangover from the Soviet era. When Gazprom, Russia's most powerful company, came under government attack earlier this year, Mr Rem Vyakhirev, its president, accused the Kremlin of acting at the behest of the west. As the Russian military's financial woes worsened this year, General Lev Rokhlin blamed western agents in the government for orchestrating the army's collapse.

Such outbursts might be excused as rhetorical reflexes. But it is harder to dismiss the lingering claims that much of the Russian leadership continues to make on many of the former Soviet republics. Notwithstanding the Kremlin's recent treaty with Kiev, Ukraine remains an object of stubborn Russian attachment. As Mr Markov observes: "Russia still sees the loss of Ukraine as a historic catastrophe. Even the Russian elite sees the appearance of independent Ukraine as a temporary thing."

For this reason Ukraine, along with the Baltic republics, is a litmus test of Russia's transformation from empire to nation state. Many Russians still view the loss of these countries as an amputation. But some Russians are beginning to agree with the Polish journalist Mr Ryszard Kapuscinski who, quoting the Russian philosopher Nikolai Berdayev, argues that loss of empire represents an emancipation for Russia.

"The Russian fell into a contradiction – to maintain the great expanses, the Russian must maintain a great state; on the maintenance of this great state he expends his energy, of which not enough remains for anything else ... He expends his energy on a state that then enthralls and oppresses him."

Having renounced the oppressive visions of world communism, Russia may at last be ready to give up something that has proved even more costly and enduring: its imperial mission.

· OBSERVER ·

Unlikely union

■ Could an alliance between an urbane, softly-spoken, diplomatic, white politician and a headstrong, loquacious, undiplomatic, black populist be the makings of a political party to challenge the African National Congress's grip on South African politics?

Personal chemistry would suggest that the answer is no, but that's the lofty ambition of Roelf Meyer, former right-hand man of ex-president F. W. de Klerk, and Bantu Holomisa, one-time military leader of the old Transkei homeland and ex-darling of the ANC masses.

What brought them together more than anything was that both fell out with their bosses. De Klerk was too inflexible about getting his National Party to seek out new alliances, and Nelson Mandela lost patience with a loose cannon firing off charges about past financial goings-on in the ANC. Mandela is more than a little sad at what has happened. Meyer was a key negotiator in the political transition, and Holomisa was until recently one of the president's favourite sons.

The dream alliance for a more electable alternative to the ANC would have been between Meyer and his old negotiating chum Cyril Ramaphosa. But since Ramaphosa quit as secretary-general of the ANC last year for a business career, he's too busy flitting between board meetings to devote much time to politics. Even so, if the new party gets off the ground, it might make an ideal vehicle for a Ramaphosa return to the political arena – assuming, of course, that the way to the very top was still blocked at the ANC.

Countdown

■ There was a little slip of the tongue by French finance minister Dominique Strauss-Kahn yesterday when he told journalists the audit of the state of the nation's deficit commissioned by the new government would be released on July 1. He rapidly corrected to July 21, which is still not bad going given that the task of conducting the audit was only given to two members of the Cour des Comptes, the public sector watchdog, in mid June.

The Cour is not exactly renowned for the speed of its work. Its report on the problems of Crédit Lyonnais was published in late 1995, two years after the former chairman had been pushed out – and even after its FFr100bn-plus rescue plan had got under way.

But there again, defeated centre-right prime minister Alain Juppé says he gave his successor Lionel Jospin all the information anyone could wish for about the deficit on the day he handed over power at the start of June.

It would be tough indeed to do a thorough overhaul of the national accounts in six weeks, but it's just about long enough to tweak the numbers to achieve a suitable result.

Meaty moniker

■ Bangladesh, India, Sri Lanka and Thailand have set up a new regional grouping with the usual worthy objectives of co-operation in trade, investment, industry, tourism, agriculture and energy. But is Bist-Ec (pronounced to sound like beefsteak) really the ideal name for a group where the overwhelming majority of the people are Hindus?

Sowing seeds

■ Steve Jobs, co-founder of Apple Computer, is clearly a fruit lover. He's planning to restore a little patch of Silicon Valley to the way it was years ago, when a microchip was a tiny french fry and the region was renowed for its orchards.

The high-tech entrepreneur finally harvested a bumper crop by selling his NeXt Software venture to Apple last year, though his cultivation hasn't always been so happy. He was bounced out of Apple in 1985 and, although he's back on board, things aren't all wine and roses in the company these days.

Now Jobs has purchased the property next door to his Palo Alto home so that he can knock down the house and plant fruit trees. But he apparently won't be growing apples. These days, it seems, Jobs prefers the apricot – a sweeter fruit with no tart aftertaste of defeat.

Fighting blight

■ Another country is to change its name. Western Samoa has decided to become just plain Samoa – the rest of the Pacific island group will soldier on as American Samoa.

The country's 1962 constitution adopted the name Western Samoa, but it joined the United Nations as Samoa. Prime minister Tofilau Eti Alesana has blamed the then premier for what he described as an illegal act, and has pushed through the constitutional change "to remove our broken law".

The constitutional slight had had disastrous consequences, he said: it was probably the reason for blight of the staple taro crop and infestations of the giant African snail. Maybe pharaoh missed a trick when the biblical plagues hit Egypt.

The Financial Times

100 years ago

Trade With Nicaragua
The report of the British Acting-Consul in Nicaragua for the year 1895 has just been issued. The delay in forwarding the report is owing to the great difficulty experienced in obtaining correct statistics – a difficulty that all who attempt to write on Central and South American affairs find almost insurmountable. The year 1895 appears to have been an unusually prosperous one for Nicaragua. Of the imports Great Britain supplied 35 per cent, Germany 19¼ per cent, the United States 17 per cent, and France 12¼ per cent. Financially, Nicaragua is in a lamentable condition, principally owing to the revolution of 1896.

50 years ago

A U.S. Warning
Washington, 9th July. Mr. Norman Armour, Assistant U.S. Secretary of State, warned to-day that it would be "unfortunate" if certain countries were prevented from attending the Paris conference on the Marshall plan by "pressure". Mr. Armour did not identify the "certain countries," but said he had no information as to whether Poland and other satellite countries were going to come in.

FINANCIAL TIMES
Thursday July 10 1997

US plans to increase the cost of air travel

By Nancy Dunne in Washington

US congressmen and senators are planning to raise the cost of air travel to and from the US in spite of protests from the tourism industry.

They will start work tomorrow on measures which could impose new departure and arrival taxes of up to $15.50 on international passengers. At the moment travellers from the US pay a single $6 departure tax, and there is no arrival tax.

The tourism industry is worried the move may be part of a growing trend to squeeze more tax revenue from travellers.

The UK doubled its airport departure tax last November to £10 for those travelling within Europe, and £20 for departures to the rest of the world.

The tourism industry has long complained that governments target travellers for taxation because they have no direct representation in the various legislatures around the world.

Mr Geoffrey Lipman, president of the World Travel and Tourism Council, warned the taxes would depress demand for travel and jeopardise jobs.

"Although travellers can't vote against the new travel taxes at the ballot box, they can and do vote with their feet. They identify certain markets as high cost destinations and travel elsewhere," he said.

The House of Representatives and Senate have each proposed a different version of a bill to restructure airline taxes as part of the overall US budget proposals. Tomorrow's negotiations aim to reach agreement on a single bill, which would raise about $34bn.

The House bill would impose a $15.50 per person excise tax for both international air passenger departures and arrivals. The Senate bill is $8 for both departures and arrivals.

"We're talking about more than $100 for a family of four," said Mr Elliott Seiden of Northwest, the US airline. "This will have an impact in significantly decreasing tourism."

The Senate bill would also impose an additional 10 per cent excise tax on the domestic portion of international flights.

The seven largest US airlines are also worried about the international arrival and departure taxes. But they prefer this method of user fee to a percentage tax which penalises high-tariff business travellers.

They favour the House measure, which would reduce the tax on domestic tickets from 10 per cent to 7.5 per cent plus a flat fee of $2 a flight.

An estimated 1,400 airline employees from the big seven airlines – American, Continental, Delta, Northwest, TransWorld, United and USAir – lobbied in Washington yesterday for a cut in the ticket tax and an increase in users' fees.

Citic may invest in Thailand's finance companies

By Ted Bardacke in Bangkok

Citic, the Chinese state-owned investment company, is negotiating with the Thai authorities about investing in a group of ailing Thai finance companies as part of Thailand's attempts to clean up its financial system.

Mr Pitak Intrawityanut, Thailand's deputy foreign minister, said Citic was "in serious discussions about taking over some finance companies and injecting a large amount of capital".

In an attempt to plug a hole that was draining scarce government resources, Thai financial authorities two weeks ago suspended the operations of 16 finance companies being propped up by the central bank. They have until this Friday to merge, find a foreign partner or be shut down.

Citic, which is negotiating with Thailand through its Kawa Bank subsidiary in Hong Kong, is "particularly interested in those 16 companies", according to Mr Pitak. The deputy foreign minister is a former executive with the Bangkok-based CP Group, the largest single foreign investor in China.

Mr Pitak dismissed market rumours that Citic was arranging a multi-billion dollar credit facility for Thailand on behalf of the Chinese government. On Tuesday, Thai authorities said they were approaching friendly foreign entities to arrange a package of credit lines worth up to $20bn to help them cope with the aftermath of last week's 15 per cent devaluation of the baht.

"Citic is not talking about lending money to the government, only investing in the private sector," Mr Pitak said. But he added that given the close economic relations between Thailand and China and China's high level of foreign reserves, a long-term credit facility from China was not out of the question.

Thai authorities acknowledge they may need substantial foreign support to manage the post-devaluation situation smoothly.

An executive with one of the 16 companies said a plausible scenario would be for Citic to buy many or all of the companies, merge them and pump in enough money to get a commercial banking licence. The minimum capital for a licence is Bt150bn ($5bn). Kawa Bank declined to comment.

The Thai central bank would waive foreign ownership limits, currently at 25 per cent for a commercial bank, for a pledge by Citic to invest a substantial amount of money over a certain period.

THE LEX COLUMN

Blood baht

A chorus of complaints about currency speculators is once more being heard from Asia. Yesterday it was the turn of the Philippines and Malaysia to talk tough; previously it had been Thailand, though initial bravado soon degenerated into a devaluation.

This rhetoric stands in stark contrast to the Czech Republic; when the koruna came under pressure last month the authorities maintained access to the markets and avoided resorting to controls. Asian governments, by contrast, have preferred control over access.

It is not, of course, only Asians who inveigh against speculators. French politicians make a habit of it. And there was little affection for Mr George Soros when he took the Bank of England to the cleaners in 1992. But speculators are not magicians, randomly conjuring mayhem out of nowhere. They profit when there are policy anomalies to be exploited, such as Thailand's unsustainable combination of slowing growth, high interest rates and a fragile banking sector. And inasmuch as they hasten the abandonment of inappropriate policies, their role is positive.

Peculiarly Asian is the continued reluctance to cede sovereignty to markets. So is the pronounced preference for foreign direct investment over portfolio flows. Capital will respond by flowing to more congenial homes, such as parts of eastern Europe. And in the absence of exceptionally high domestic savings, Asian economies will pay the price through constrained rates of growth.

Paper & packaging

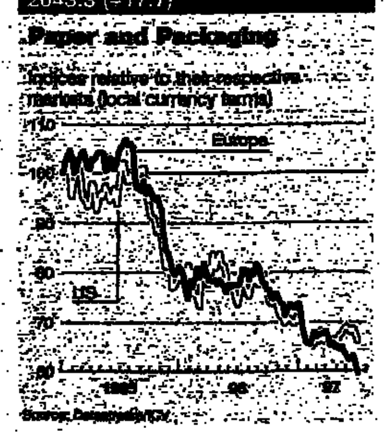
When the leading company in an industry cries enough is enough, it is time to sit up and take notice. International Paper is doing precisely that. Fed up with poor returns, overcapacity and volatile prices, the world's largest paper company has announced a 10 per cent reduction in its workforce and a 4 per cent cut in capacity. It also intends to sell $1bn of non-core assets and has set itself a target return on net assets of 12 per cent.

This hardly sounds revolutionary. But in an industry with such a penchant for self-inflicted wounds – US paper companies have failed to earn their cost of capital in seven of the past 10 years – it hints at an important shift in thinking.

There are similarly positive signs of change in Europe, where paper stocks have performed just as dismally. Ireland's Jefferson Smurfit has long argued that it is cheaper to buy capacity than build it, and practised what it preached. But now even the Scandinavian producers, led by SCA and UPM-Kymenne, have begun to emphasise profits and dividends over capital spending.

This holds out an appealing vision, where paper companies are restructuring and consolidating just as improving prices start to provide a cyclical tailwind. But investors, who marked up sector share prices across the board following IP's announcement, would do well to be a little wary. In such an old-fashioned industry, shareholder-friendly thinking will need time to take root.

FTSE Eurotrack 200:
2643.3 (+17.7)



Dixons

At last – a sighting of the hitherto elusive windfall gains. Dixons' 17 per cent increase in like-for-like sales over the latest trading period came as a welcome fillip to a sector that has recently been fed a diet of repeated disappointments. The figures need to be treated with caution; not only do they embrace the windfall factor, but they also include a catch-up from the subdued spending seen ahead of the general election. Still, they at least provide some ballast just as the UK is likely to witness a stiff dose of monetary medicine.

The breadth of the rally in retail stocks shows that it was not simply about Dixons. Other stocks such as Marks and Spencer and Boots rose because of their domestic, defensive bias at a time when market earnings are under pressure from a strong pound. The sector was also ripe for a rebound: it has suffered a derating of more than 20 per cent over the past year, and with double digit earnings growth ahead deserves to recover some of its premium rating. More positive trading news will be necessary, though, if a sustained recovery is to follow.

Yesterday's figures are also a reminder that Dixons itself is far from the no-growth stock some had feared. Regulatory concerns have receded and fears about slowing computer sales look overblown. Given its strong position in growth markets, the 10 per cent discount to the market looks unjustified. After going nowhere for a year, the share looks set for a further leg-up.

UK pensions

There is a certain rough justice to the British government's "naming and shaming" of recalcitrant pension mis-sellers. True, yesterday's rogues gallery put the worst possible spin on the statistics. But the industry's dire compensation record is undeniable. That is a pity, not least since pension providers themselves have a powerful commercial interest in looking clean.

Ah yes, say the mis-sellers, but the process is an actuarial nightmare. And much of it lies outside their control, with lots of number-crunching needed from victims' old pension schemes. The recent abolition of pension funds' dividend tax credits, requiring mountains of redone work, was a further upset for which mis-sellers cannot sensibly be faulted.

Still, they only have themselves to blame if their performance does not rapidly improve. The reason is that the Personal Investment Authority has, in principle at least, now agreed to an alternative wheeze advocated by Legal & General. Instead of having to calculate compensation up front, this allows mis-sellers to guarantee victims a pension linked to what their previous occupational scheme would have paid – crucially, offering the potential for quick peace of mind for large numbers of victims. This would let mis-sellers tell a far better story. And it might even cost them less, since rushing the more traditional form of compensation to avoid the government's lash almost certainly means erring on the side of the victim.

Additional Lex note on UK takeover rules, Page 16

France in jobs boost

Continued from Page 1

simply add to the unemployment of unqualified young people, and that the French needed to work longer hours to be more productive, not to focus on cutting the length of the working week.

His analysis showed that the number of French households with anyone employed in the private sector continues to fall, and stood last year at just 48 per cent. The measures also include FFr6.4bn in additional children's back-to-school allowances to 5m beneficiaries in September, representing a quadrupling to FFr1,600 of the allocation from the out-going government's planned level of FFr420. There will be FFr290m in support for school meals for 300,000 children from families on low incomes.

China risk

Continued from Page 1

growth in exports, as well as sound fiscal and monetary policy, a stable peso and relatively low interest rates", according to Mr Behravesh.

Poland – which received the second-best rating – was "one of the lowest business investment risks because of the country's rising industrial output and construction activity and the nation's declining inflation and unemployment".

The report said China was not alone with its incipient banking crisis. More than 50 emerging economies had lost most or all of their banking capital over the last 15 years, some more than once.

UK warns Nigeria it must act to end election 'flaws'

By Michael Holman, Africa Editor

Britain warned Nigeria yesterday it would not accept a victory by General Sani Abacha, the country's military leader, in next year's civilian-rule elections, unless flaws in the election process were remedied.

In an interview with the Financial Times on the eve of today's Commonwealth hearings on Nigeria, Mr Tony Lloyd, the Foreign Office minister responsible for Africa, delivered the toughest rebuff to the regime's transition programme from military to civilian rule since the Labour government took office in May.

"At the moment it is flawed. We know that the process of establishment of political parties has been so one-sided as to guarantee that there will be one serious candidate... [resulting in] the transition of General Abacha to President Abacha. We cannot accept that."

Mr Lloyd did not close the door on the transition programme, but made clear that a wider registration of parties was one of the reforms needed if the transition was to be credible.

The already strained relations with Nigeria, one of Britain's leading trading partners in Africa, are likely to deteriorate further in the light of the minister's comments. In particular, they are expected to set back efforts to resolve a dispute that has led to the suspension of British Airways flights on the lucrative London-Lagos route.

Nigeria's five political parties were carefully vetted and approved by the military before being allowed to take part in the country's phased transition to civilian rule, culminating in presidential elections in August next year, before a promised handover to the new government on October 1.

Gen Abacha's supporters are urging him to stand in the presidential poll and become an elected civilian ruler.

Last week the Nigerian regime reacted angrily to the call by Mr Robin Cook, UK foreign secretary, for Nigeria's continued suspension from the Commonwealth, imposed in November 1995 following the execution of Mr Ken Saro Wiwa, the author, and other political activists.

Apart from suspending Nigeria, Commonwealth leaders imposed limited sanctions including visa restrictions and an arms embargo.

Commonwealth leaders attending the 53-member association's biennial summit in Edinburgh in October will discuss what further action to take.

They will base their decision on a report by the eight-member Commonwealth ministerial action group, which monitors human rights, and meets in London today to take evidence from Nigerian and other interested parties on the situation in the country.

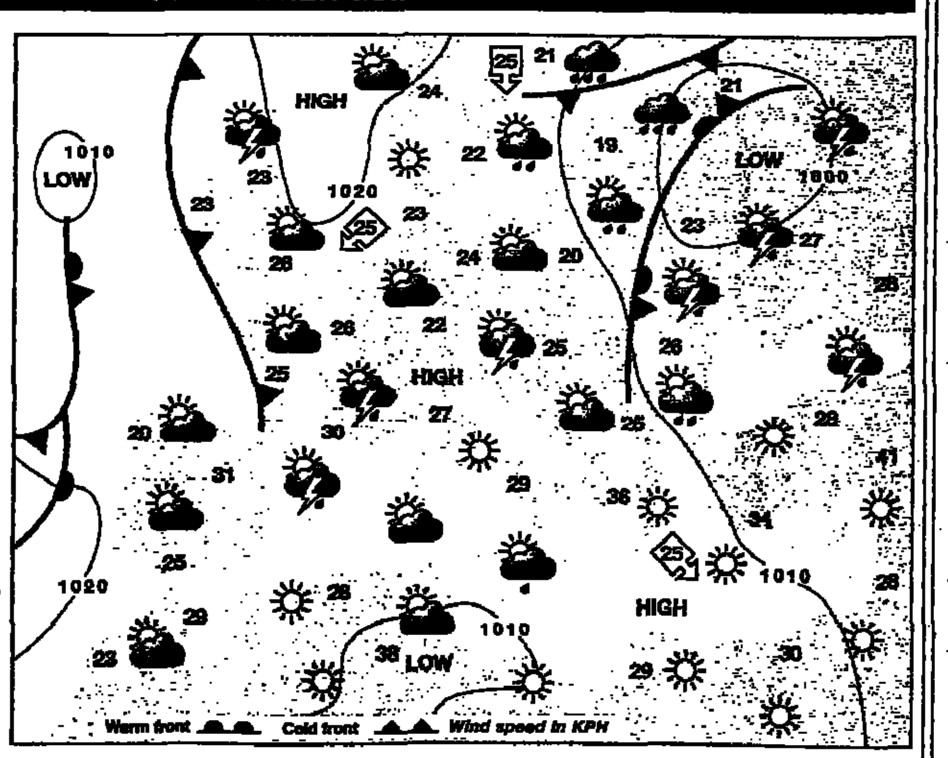
FT WEATHER GUIDE

Europe today

Most of southern Scandinavia, the UK and the Benelux will be fine with plenty of sunshine and pleasant temperatures.
Northern England and Scotland may have a few thunder showers.
Northern France will be sunny, but some thunder showers will develop farther south, especially in the afternoon and evening.
The Alps and north-eastern Spain will have several thunder showers.
Eastern Europe will become drier, sunnier and warmer.
Showers will develop in Russia and Ukraine.

Five-day forecast

High pressure will remain over northern Europe over the next few days. As a result, southern Scandinavia and the northern UK will remain sunny and warm.
It will stay warm across western and central Europe, but thunder showers will develop,
The Mediterranean will remain sunny and warm.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum	Beijing	fair 34	Caracas	fair 30	Faro	sun 27	Madrid	fair 31	Rangoon	rain 30
	Celsius	Belfast	fair 24	Cardiff	fair 24	Frankfurt	cloudy 25	Majorca	sun 28	Reykjavik	fair 16
Abu Dhabi	fair 39	Belgrade	cloudy 25	Casablanca	fair 23	Geneva	thund 26	Malta	sun 28	Rio	sun 26
Accra	cloudy 27	Berlin	fair 24	Chicago	fair 26	Gibraltar	cloudy 27	Manchester	fair 24	Rome	sun 29
Algiers	sun 28	Bermuda	shower 30	Cologne	fair 24	Glasgow	thund 23	Manila	fair 35	S. Frsco	fair 21
Amsterdam	fair 24	Bogota	thund 17	Dakar	fair 30	Hamburg	fair 23	Melbourne	fair 12	Seoul	rain 27
Athens	sun 31	Bombay	shower 31	Dallas	thund 34	Helsinki	shower 21	Mexico City	fair 30	Singapore	fair 32
Atlanta	fair 32	Brussels	fair 23	Delhi	fair 36	Hong Kong	thund 30	Miami	thund 32	Stockholm	fair 21
B. Aires	shower 15	Budapest	fair 25	Dubai	fair 40	Honolulu	fair 32	Milan	thund 26	Strasbourg	cloudy 26
B.ham	fair 25	C.hagen	fair 21	Dublin	cloudy 23	Istanbul	fair 29	Montreal	fair 24	Sydney	fair 14
Bangkok	thund 36	Cairo	sun 30	Dubrovnik	fair 27	Jakarta	sun 32	Moscow	thund 21	Tangier	fair 25
Barcelona	thund 25	Cape Town	sun 18	Edinburgh	shower 21	Jersey	fair 19	Munich	fair 25	Tel Aviv	sun 28
						Karachi	fair 36	Nairobi	fair 23	Tokyo	shower 27
						Kuwait	sun 46	Naples	sun 29	Toronto	fair 25
						L. Angeles	fair 25	Nassau	fair 32	Vancouver	shower 19
						Las Palmas	sun 27	New York	fair 27	Venice	fair 25
						Lima	fair 24	Nice	fair 26	Vienna	cloudy 25
						Lisbon	fair 25	Nicosia	sun 32	Warsaw	cloudy 20
						London	cloudy 26	Oslo	fair 24	Washington	sun 30
						Lux.bourg	cloudy 23	Paris	fair 26	Wellington	fair 11
						Lyon	thund 29	Perth	sun 15	Winnipeg	fair 29
						Madeira	sun 25	Prague	fair 22	Zurich	fair 23